Austria .... Sch. 18	Indonesia .. Rp 2500	Portugal .... Esc 80
Bahrain .. Din.0 650	Italy .... L 1300	S. Arabia .. Rls 5 00
Belgium BFr.42	Japan Y550	Singapore . S$ 4.10
Canada .... C$1.00	Jordan .... Fils 500	Spain ..... Pta 110
Cyprus .... C£0.60	Kuwait .... Fils 500	Sri Lanka .... Rup 30
Denmark .. Dkr.7.25	Lebanon .. £L 8.00	Sweden .. Skr 6.50
Egypt ..... E£1.08	Luxembourg . LFr.42	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan .... NT $65
France .. FFr. 8.00	Mexico .. Pes. 300	Tunisia .. Din 0.800
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey ..... L 210
Greece ...... Dr 70	Netherlands . Fl 2.50	U.A.E. .... Dh 6.50
Hong Kong .. HK$ 12	Norway .. Nkr. 6.00	U.S.A. $1.00
India ..... Rup. 15	Philippines .. Pes. 20	

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,679 Friday July 19 1985 D 8523 B

S. Korea's economic success defies the textbooks, Page 16

World news

Shops in S. Africa boycotted by blacks

South African black consumers boycotted stores owned by whites, coloureds and Indians in Pietermaritzburg, Natal, and throughout the Eastern Cape. The boycott was organised by black activists to draw attention to black grievances.

Strikes over back pay and pensions hit Ford and Volkswagen plants in the Port Elizabeth area, while workers at a General Motors plant stopped work over alleged abusive language used by a white foreman against black workers.

In Johannesburg, the black National Union of Miners said final results of its strike ballot were 65,216 votes in favour of a strike and 1,869 against. The union said it intended to take strike action at 29 mines. Page 18

Kohl denies claim

West German Chancellor Helmut Kohl denied involvement in an alleged tax evasion scheme when he faced a parliamentary corruption inquiry. Page 2

Bank chief named

Sr Miguel Boyer, Spain's former Economy and Finance Minister, was appointed chairman of Banco Exterior, the country's export finance bank. Page 2

Wine blacklist set

The West German Ministry issued a blacklist of 82 Austrian wines shown to contain an illegal sweetener found in vehicle anti-freeze. Page 2

Soviet shake-up

In a big Soviet armed forces shake-up, Marshal Nikolai Ogarkov has replaced Marshal Victor Kulikov as commander-in-chief of the Warsaw Pact, diplomats said. Page 2

N-plant for sale

Austria's only nuclear power station, at Zwentendorf, is to be put on sale because political obstacles have prevented it from being commissioned. Page 2

Rebels kill 96

Angolan Unita rebels said they killed 91 government troops and five Cubans in recent operations, including a bomb attack on Cuban barracks and ambushes on military convoys.

Iraq claims success

Iraq said its forces killed 2,225 Iranian troops and captured others yesterday in the northern sector of the Gulf War front.

Indian fighting

Rooftop battles in Ahmedabad killed eight people only a day after troops withdrew from the city.

Terrorist sentence

West German Gisela Dutzi, 33, who worked for the U.S. Army, was sentenced to 8½ years for helping to plan terrorist attacks on U.S. military bases and arms depots.

Nazi hunter retires

Tuvia Friedman, founder of the Nazi War Crimes Documentation Centre in Haifa, has retired after 40 years of tracking down Nazis.

Liberia expels Soviets

Liberia said it cut diplomatic relations with the Soviet Union and gave Soviet diplomats 72 hours to leave the country after 14 students were caught entering a Soviet embassy. Liberia said some students had passed classified military information.

Helicopter reward

A U.S. magazine for mercenaries is offering a $1m reward to any Nicaraguan, Cuban or Soviet pilot who brings a Soviet Mi-24 helicopter out of Nicaragua.

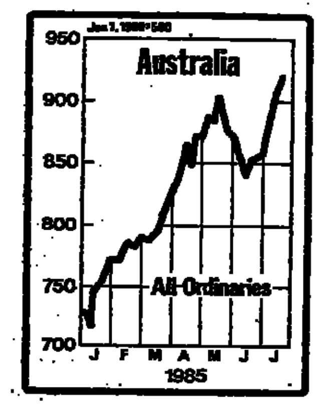
Business summary

Goldsmith lifts stake in Crown Zellerbach

SIR JAMES GOLDSMITH, Anglo-French financier, appeared close to victory in his five-month battle to win control of Crown Zellerbach, U.S. West Coast forest products company, after raising his stake to 43.2 per cent with market purchases.

DOLLAR rose sharply in late London trading, closing at DM 2.872 (DM 2.837), FFr 8.7125 (FFr 8.61), SwFr 2.3675 (SwFr 2.3335) and Y238.2 (Y236.45). On Bank of England figures, the dollar's index rose to 137.8 from 136.7. Page 33

STERLING lost ground against the strong dollar, closing at $1.4045 against $1.4125 previously. It was firm, however, at DM 4.04 (DM 4.005), FFr 12.23 (FFr 12.165), SwFr 3.335 (SwFr 3.295) and Y335.0 (Y334.0). The pound's exchange-rate index rose 0.1 to 83.9. Page 33



AUSTRALIAN equities were actively traded and the All-ordinaries index increased 9.5 to close at a record 922.3 despite late profit taking. Page 40

WALL STREET: At 3pm the Dow Jones industrial average was down 1.56 at 1,356.41. Page 40

LONDON equities were subdued with takeover situations providing most interest. Gilts suffered their first setback for three weeks. The FT Ordinary index eased 0.8 to 932.8. Page 40

TOKYO lost ground during the afternoon, although selected stocks closed ahead on the day. The Nikkei-Dow market average added 6.05 to 12,852. Page 40

GOLD fell back $5.50 on the London bullion market to $320.25 and $6.00 in Zurich to $320.50. Page 32

CANADA'S bank rate was set at 9.3 per cent, down from 9.45 per cent.

APPLE COMPUTER suffered first quarterly loss as a public company reporting a net deficit of $17.2m for the three months to June 28 after an 11 per cent fall in sales and a $40.3m provision for reorganisation. Page 19

INLAND STEEL, fourth largest U.S. steel producer, suffered a sharp fall into loss in the second quarter because of a charge of $53m arising from previously announced plant closure and job cuts. Net loss reached $29.6m against a profit of $22.4m.

DISTILLERS, UK drinks group, lifted its pre-tax profits in the year to March 31 by £44.6m ($62.44m) to £236.2m, about £11m above analysts' estimates. Lex, Page 18; Details, Page 24

MERCK, U.S. drug manufacturer, lifted second-quarter net profit from $131.37m to $137.93m, with growth slowed by the strong dollar and the disposal of some subsidiaries. Page 19

BERETTA, the Italian arms manufacturer that has beaten U.S. competition to win a Pentagon contract to supply 315,000 pistols, is to spend $10m expanding its Maryland subsidiary. Page 19

The Financial Times apologises for omission of certain share prices and other data from the American Stock Exchange listings in yesterday's edition because of computer difficulties at our Frankfurt printer.

U.S. growth set to fall well short of 4% official target

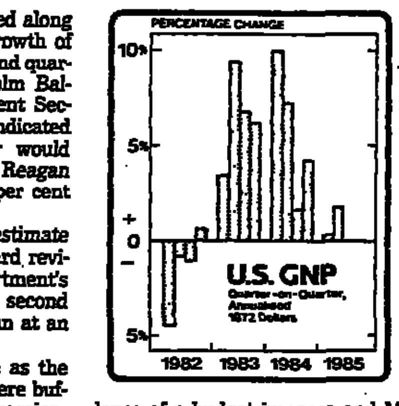
BY STEWART FLEMING IN WASHINGTON

THE U.S. ECONOMY limped along at a real annual rate of growth of only 1.7 per cent in the second quarter of this year. Mr Malcolm Baldrige, Commerce Department Secretary, said yesterday this indicated that growth for the year would probably fall well below the Reagan Administration's official 4 per cent forecast.

The preliminary GNP estimate represents a sharp downward revision in the Commerce Department's earlier "flash" forecast that second quarter expansion would run at an annual rate of 3.1 per cent.

The announcement came as the world's financial markets were buffeted by fears that the congressional budget negotiations had reached a final deadlock and by comments from Mr Paul Volcker, chairman of the Federal Reserve Board, which underlined the intractability of U.S. economic problems and made it clear that the central bank was determined to resist pressures to resort to an inflationary monetary policy.

Wall Street and the foreign exchanges took the GNP data calmy, perhaps because, as the Commerce Department confirmed, the precise figure had been leaked early on Wednesday afternoon. But the evidence of a budget impasse and Mr Volcker's forceful defence of the Fed's role as a bulwark against inflation sent bond prices skidding and sparked a surge in the value of the dollar as traders began to discount the possibility of early Fed action to encourage another fall in U.S. interest rates.



Commenting on the downward revision of the GNP estimate, Mr Baldrige said that lower-than-projected inventory investment and a larger trade deficit than initially anticipated accounted for the reduction.

But he gave an upbeat assessment of the outlook for the rest of the year. The current low level of stocks, lower interest rates, an easier Fed monetary policy and continued strength in the consumer sector were factors which could lead to growth at a 4 per cent annual rate in the second half of the year, Mr Baldrige said.

He conceded, however, that even if this growth rate was achieved, for the year as a whole the economy would have expanded by only about 3 per cent; well below the Administrations's official 4 per cent forecast.

Underlining his fears about the damage the high dollar was doing to the U.S. manufacturing sector, Mr Baldrige said yesterday that he would like to see the dollar fall sharply, "by around 25 per cent from its current level, over the next 12 to 18 months."

"For American industry to be completely competitive again we would like to see another 25 per cent decline," he said, adding that he did not believe that this sort of fall in the dollar would be inflationary. "I think the dangers of infla-

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Volcker's testimony, Page 4; Money markets, Page 33

France, Germany give signal for rate cuts

BY DAVID HOUSEGO IN PARIS AND JOHN DAVIES IN FRANKFURT

THE FRENCH and West German central banks yesterday moved towards lower interest rates and easier credit. The Bank of France reduced its money-market intervention rate for the second time in eight days in a move that is expected to be followed by a cut in commercial banks' base lending rates.

The Bundesbank cut its minimum rate for securities repurchase transactions from 5.1 per cent to 4.8 per cent. Actual repurchase rates are likely to be somewhat higher, but the minimum rate is regarded as an indication of both the tendency in the money markets and of the Bundesbank's preference about how the trend should go.

The Bundesbank's action is another sign that it sees "room for manoeuvre" in its monetary policy, particularly in view of the weakening dollar and the evident slowdown in the U.S. economy.

The Bank of France's ¼ point cut to 9⅝ per cent in the rate at which it buys government and first class commercial paper from the banking system is in line with the authorities' overall policy of bringing down interest to provide some stimulus to investment.

Hong Kong banks yesterday cut their prime interest rates by 1 percentage point to 6 per cent after a similar reduction last Monday. Page 40

The move has been accelerated, however, by the recent unwelcome strengthening of the franc against the D-Mark as the dollar has fallen. This has been the result of the continuingly high level of real interest rates in France and the foreign exchange markets' judgment that the French Socialist administration will avoid a devaluation of the franc against the D-Mark in advance of next March's parliamentary elections.

French industrialists have been complaining, however, that the strengthening of the franc is further undermining the competitiveness of French goods at a time when the franc is already overvalued in the light of the inflation differential between France and Germany.

In Frankfurt, the Bundesbank's central policymaking council left its key discount and Lombard rates unchanged yesterday at 4.5 and 6 per cent respectively.

The central bank has indicated for some months that it is satisfied with its success in using more sophisticated and more flexible techniques, such as the securities repurchase agreements to steer the money markets.

The Bundesbank also decided yesterday to increase the rediscount quota by DM 3bn to DM 63.3bn ($22bn). This is the total volume of commercial bills which it

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Germany's black economy, Page 2; Money markets, Page 33

London share issues drying up

BY STEFAN WAGSTYL IN LONDON

CAMBRIDGE Instrument Company (CIC), the British high-technology group, has called off its London share flotation, which had been planned for next week.

CIC, which makes electron microscopes, is the latest victim of an increasing reluctance of investors to back new issues on the London market in the wake of a sharp decline in share prices, particularly of electrical and electronics companies. Since the beginning of June, the FT Ordinary index has fallen from 1,004.6 to 932.8.

CIC, advised by Kleinwort Benson, had already postponed its flotation once earlier in the month. Now it is unlikely to renew its efforts until at least the start of next year.

Dr Terry Gooding, CIC chairman, blamed deteriorating stock market conditions. "It has been a bit disappointing," he said.

CIC is the second company in recent weeks publicly to call off plans for an imminent flotation. Early last month, Advanced Music Systems, a recording equipment company, also drew back at the last minute.

Several other companies, however, are known to have postponed plans either for a flotation or for a rights issue. One merchant banker said last night: "The Government Broker's queue (in which issues wait their turn) has emptied pretty quickly."

This caution has been reinforced by the fate of several issues which have recently reached the stock market. Earlier this week, merchant bank Samuel Montagu announced that investors had subscribed for only 6 per cent of shares on offer in the record company Chrysalis Group. Only 30.4 per cent of a £71.6m rights issue of convertible preference shares from European Ferries was taken up.

Before that, shareholders cold-shouldered the £519m ($727m) rights issue from Hanson Trust, taking up only 50 per cent of the ordinary shares and 8 per cent of the convertible preference share on offer. Just 52 per cent of English China Clays' £86m rights issue was taken up.

While stockbrokers were subsequently able to sell some or all of the unwanted stock in those issues in the market, underwriters have become very wary about taking on new risks. A fund manager said last night: "One or two institutions clearly feel that they have done enough underwriting for the time being."

Such caution is driving down prices of those issues which are braving the market. Yesterday, CAP Group, one of the UK's largest software houses, announced details of its flotation, which will value the company at £26.2m. Earlier, CAP had been talking of a capitalisation of £30m to £40m.

Mr Robert Shrager, of Morgan Grenfell, CAP's adviser, said that a delay had not been seriously considered. "One does not know when the market will get any better."

Monsanto to pay $2.7bn for G.D. Searle

By Paul Taylor in New York

MONSANTO, the fourth largest U.S. chemicals group, is to acquire G.D. Searle, a major U.S. pharmaceuticals group with products including the highly successful Nutrasweet artificial sweetener, for $65 a share, or $2.7bn in cash.

The agreed merger, which ends months of speculation about Searle's future, will create a new group with annual sales of almost $8bn and interests ranging from agricultural, industrial and special chemicals to plastics and a wide range of prescription and non-prescription drugs.

Trading in the shares of the two companies was suspended on the New York Stock Exchange pending the announcement yesterday. Searle's stock closed at $59¾ on Wednesday, while Monsanto's stock reopened down $1 at $48¾ after the deal was announced.

Wall Street has been humming with speculation about a possible merger between the two groups even since Searle's founding-family said it wanted to diversify its 33 per cent holdings in the group and asked the management to put the company up for sale in September last year.

Monsanto was one of the companies that expressed an early interest in acquiring the Illinois-based drug company. However, Searle was officially pulled off the auction-block in March when the company said it had decided to "pursue its business as an independent company."

A month later, Searle agreed to buy back 7.5m of the Searle family's shares for $51.75 a share, or $388m, leaving the family shareholding at 8.94m shares, equivalent to a 21.4 per cent stake.

Yesterday the two companies announced that Monsanto would begin a tender offer for all Searle's outstanding stock as soon as practicable. The companies added that as part of the deal the Searle family had agreed to tender its remaining stake.

In an apparent effort to head off any counter-bids, the two companies said the Searle family had also agreed to give the St Louis-based chemicals group an option to buy the stake at $65 a share and that Searle has granted Monsanto an option to acquire an additional 7.725m unissued shares at the same price.

Searle, which has grown rapidly recently, spurred by sales of Nutrasweet which accounted for $585m – 47 per cent – of its total $1.25bn sales last year, had net earnings of $161.6m in 1984.

France fails to keep control of Eureka

BY DAVID MARSH IN PARIS

SENIOR MINISTERS from 17 European countries formally launched the Eureka high-technology collaboration programme early yesterday morning after fending off a French attempt to retain control of its development.

Their final communique affirmed clear support for the idea of Europe's uniting "its energies and abilities in the field of high technology." But ministers stopped short of defining projects or areas of technology to be supported.

Those will crucially depend on how the programme is organised and developed in the next few months. After much discussion, the ministers agreed that a group of top-level civil servants would prepare the groundwork for a further ministerial meeting in Bonn before November 15.

France, which launched the idea in the spring, appeared to be bidding to retain overall leadership. In his summing up, M Roland Dumas, the French External Affairs Minister, omitted any mention of the high-level group. He only accepted its explicit mention in the communique at the insistence of the UK, Italy, the Netherlands and Switzerland.

One delegation at the meeting claimed afterwards that Paris wanted to retain organisational control for its own small secretariat, in close collaboration with West Germany.

France will, however, continue to play a leading role in preparing for the Bonn conference in co-operation with West Germany and Luxembourg (which at present holds the EEC presidency), the communique stated.

The Bonn conference will aim to produce more clarity over the types of projects to be supported, in areas such as information technology, transport or robotics, in close collaboration with industrialists.

The working group of experts will also be asked to provide more details over financing. As expected, Wednesday's conference produced no overall figure on how much Europe might jointly inject into Eureka in the form of government funds, bank loans and companies' own resources.

President François Mitterrand told journalists, after he announced an initial French contribution of FFr 1bn ($116m), that he hoped other countries would follow his lead. Britain and West Germany, however, are refusing to give commitments until projects are worked out.

The UK, although voicing enthusiasm for collaboration through Eureka, has been placing considerable emphasis on financing from private markets in line with the market-oriented nature of the projects themselves.

That line seems to jar with other countries' belief – and with the views put forward by large companies such as Siemens – that a big

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Heseltine visits Washington, Page 5

Japan refuses bank licence to Kleinwort

BY DAVID LASCELLES IN LONDON AND JUREK MARTIN IN TOKYO

JAPAN'S Ministry of Finance has escalated its confrontation with the Bank of England by blocking Kleinwort Benson's application for branch office status in Tokyo until Japanese securities houses are granted deposit-taking licences in London.

That new development in Britain's long-running battle with Japan over banking licences follows the failure of the top-level meeting between UK and Japanese officials in London in May to break the deadlock.

Kleinwort Benson had been told by the Japanese that it was at the top of the list for a Tokyo licence. Although that is still officially the position, the merchant bank has received indications that the licence will be delayed "until other matters are resolved."

The Earl of Limerick, Kleinwort's vice-chairman, said: "We are baffled and disappointed over why we cannot have a licence, having been told that we were going to have one in May. This accords strangely with Japan's statements about its intention to liberalise its financial markets."

The dispute centres on the Japanese securities houses' wish to have banking licences in London, which has been turned down by the Bank of England on the ground that they

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CONTENTS

Command of Soviet forces shaken up

By Patrick Cockburn in Moscow

IN A BIG shake-up in the high command of the Soviet armed forces, Marshal Nikolai Ogarkov has replaced Marshal Victor Kulikov as commander-in-chief of the Warsaw Pact forces, diplomats in Moscow said yesterday.

Marshal Ogarkov, 67, was a vigorous chief of staff of the Soviet armed forces until his sudden dismissal last year. His appointment to command the Warsaw Pact forces, which is not officially confirmed, comes as a surprise.

Other senior officers to change include Marshal Alexei Yepishev, 77, who is replaced after 23 years as head of the political directorate of the Soviet armed forces, the key body in asserting Communist Party control within the army.

The extent of the changes in the high command illustrates the determination of Mr Mikhail Gorbachev, the Soviet leader, to retire rapidly members of the civil and military leadership who are very old or out of keeping with his plans for modernisation.

Marshal Ogarkov strongly advocated technical change in the Soviet armed forces after he was appointed chief of staff in 1976.

His abrupt dismissal last year has been variously attributed to a vigorous advocacy of high spending on technology, a bid to stop him becoming Minister of Defence, and opposition by Marshal Ogarkov to renewed talks with the U.S. in Geneva.

However, since Mr Gorbachev assumed power, there have been signs of Marshal Ogarkov's rehabilitation.

It is unlikely that these changes in the Soviet top brass signal by themselves any shift in the Soviet diplomatic stance towards the U.S. or its negotiating position in the Geneva disarmament talks.

FINANCIAL TIMES

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Andriana Ierodiaconou looks at attempts by Athens to repair U.S. relations after last month's TWA hijacking

Papandreou returns to the tricky job of wooing Washington

DURING the volatile first term of Greece's Socialist Prime Minister, Mr Andreas Papandreou from October 1981 to June 1985, the crises in Greek-U.S. relations became such an ordinary feature of political life that they were described by one Western diplomat as "dog-bites-man news."

The latest upset, caused by the hijacking in June of a TWA jet from Athens airport by Shi'ite gunmen, rates more interesting as man-bites-dog" material. The hijack crisis dynamited, even before it could properly get under way, a fragile detente between Greece and the U.S. which Dr Papandreou had spent considerable energy in constructing after his re-election on June 2.

The Prime Minister began sending peace signals to Washington even before the elections, notable in a hallmark interview for the New York Times in which he predicted "calm waters" in Kreek-U.S. relations if he were returned to power.

Dr Papandreou avoided making the U.S. a vote-catching scapegoat during the election campaign, in which he generally skirted tricky foreign policy issues such as the future of the American military bases. When the Socialists emerged victorious with a remarkable 46 per cent lead against 41 per cent for the overtly pro-American conservative Opposition, President Ronald Reagan despatched a prompt message of congratulations, which Dr Papandreou was quick to welcome as "warm."

"The Reagan and Papandreou Administrations can never be anything but oil and water ideologically. But there seemed to be an awareness in both Athens and Washington that they had to live with each other, and that it would be a good idea to develop *modus vivendi*," one observer said.

The waters had hardly begun to grow calmer, however, when the TWA hijacking unleashed a new storm, which resulted in a U.S. State Department travel advisory blacklisting Athens airport on the grounds of inadequate anti-terrorist security. Weaknesses in Greek airport security had been noted by such agencies as the International Air Transport Association (Iata): less than hermetic *perimeter fencing* and the lack of a specially-trained airport security corps, rather than inadequate equipment, were the main problems.

Most Western observers believe that Washington's response would not have been as strict if American patience with Greece had not been worn thin already during the previous three and a half years of Socialist Government. The memory still rankles in Washington of Greece's refusal to condemn the Soviet Union for the downing of the South Korean Jumber, in particular, as well as Athens' reluctance to endorse sanctions against Poland after the military coup there.

Lax security at Athens airport was the final straw for the fragile detente between Greece's Socialists and the U.S. An American travel advisory blacklisting the airport, plus the uncertain fate of U.S. bases, has not helped peace overtures

Against this background, observers say, Dr Papandreou's recent peace overtures proved too little too late.

For the moment, however, the Greek side appears determined to hang on to whatever remains of the friendship *initiative. The Socialists have* made two formal protests to the U.S. over the response to the hijacking, but they have carefully avoided escalating the quarrel with aggressive out-of-court rhetoric of the sort which raised American hackles in their first term.

Greece's pro-Government press, always a barometer of official policy, on the whole has *refrained from the usual* "Yankee-go-home" banner headlines. More significantly, a July newspaper article by one of Dr Papandreou's close advisers appealed to Washington to recognise that "there is no *anti-Americanism in Greece*," in order to "sit down and discuss on equal terms whatever problems exist between the two countries."

The Socialists' restraint is partly accounted for by their desire to staunch the mass cancellation of American tourist arrivals provoked for by their advisory, which stands to hurt *foreign* exchange earnings vital to the balance of payments. But they are also anxious to safeguard at all costs the chances of bringing off a meeting between Dr Papandreou and President Reagan in October, during a planned visit by the Prime Minister to the United Nations' 40th anniversary celebrations.

Dr Papandreou has been angling for an invitation to Washington for some time, for reasons of domestic political kudos and also to balance a recent official visit to the U.S. by Turkey's Prime Minister, Mr Turgut Ozal. His chances of getting the invitation were virtually nil during the past three years, but improved after the June 2 elections, only to become extremely slim once more with the hijack crisis.

Optimists predict that Washington will eventually lift the travel advisory, allowing Dr Papandreou to secure his audience with Mr Reagan. A U.S. Federal Aviation Authority team has spent the past week checking Athens airport security, and is expected to return to Washington tomorrow to prepare its report.

Relations between Athens and Washington, however, are likely to remain sensitive as long as the fate of the U.S. military in Greece bases hangs in the balance.

Dr Papandreou came to power in 1981 pledging to close the bases down. He went on to sign a new defence agreement with the U.S. in 1983 ensuring the operation of the bases for at least another five years, but insisting that this constituted "an agreement for the bases' removal." It is still not clear whether he took this position just to placate the Socialist Party's left-wing and the pro-Moscow Communist opposition, which is powerful in the trade unions, or whether Dr Papandreou is really bent on closing down the bases.

In the policy programme unveiled in Parliament at the end of June, Dr Papandreou still kept all his options open with a Delphic assurance that he intends to "abide by the timetable of the agreement." According to this timetable, the five year period will be up in December 1988. Both sides have the option of giving notice of wishing to terminate the agreement five months before that date; but the option is not obligatory, which means renewal is possible.

Since then, Dr Papandreou has not given any further clues as to his final intentions despite a stream of inquisitive Washington visitors, including State Department officials, two senior Senators and the former U.S. President, Mr Jimmy Carter.

One unofficial scenario circulating in Athens suggests a compromise whereby the U.S. will dismantle one base; the likeliest is Hellenikon airbase which shares a runway with Athens civil airport, and which the Americans may not be averse to relocating for security reasons given that it has been *overtaken* by the city's eastern beach suburbs. This would allow the Papandreou Government to claim the start of a gradual reduction in the American military presence in Greece. The remaining three bases would continue to operate, possibly under a Nato label, according to the scenario.

Greek and U.S. officials are at pains to deny that any private understanding on the bases has been reached and stress that *scenarios such as this may* be feasible but at this stage are purely speculative. In the American *view* it is still too early to tell not only what Dr Papandreou means to do with the bases, but also whether his recent peace overtures reflect a permanent change of heart which might spell good news for Greek-U.S. military co-operation.

The Greek Prime Minister, in this view may simply be motivated by the desire to win an invitation to the White House; and once this is in the bag, relations might once again become uncertain. It remains to be seen which option Dr Papandreou has in mind.

Kohl denies aiding tax evasion

By Rupert Cornwell in Bonn

CHANCELLOR HELMUT KOHL yesterday curtly rejected accusations that he had knowingly helped corporate benefactors evade taxes of political donations to his Christian Democrat (CDU) party, during his spell as premier of the state of Rhine-*land Palatinate* between 1969 and 1976.

His denial came during 2½ hours of testimony in Mainz to a committee of the Rhineland Palatinate regional assembly. For nine months it has been probing allegations that a massive system of irregular party financing had operated there

The money, said to run into many millions of Deutsch Marks, was channelled through a variety of front companies. These provided a screen which enabled the company donors to claim tax deductions on the sums they gave. The beneficiaries included not only the CDU, but also the small liberal Free Democrat (FDP) party.

Herr Kohl in court at Mainz yesterday

The Chancellor's terse manner clearly betrayed his irritation at being still dogged by the issue, which came to a head last year with the Flick affair and the charging — and subsequent *resignation* — of Count Otto Lambsdorff, the former FDP Economics Minister.

Count Lambsdorff, along with Herr Hans Friderichs, his predecessor at the Ministry and also an FDP member, and a former top Flick executive, go on trial here on August 29. *They are accused of accepting* bribes from the industrial concern to help secure tax breaks

Herr Kohl yesterday basically stuck to the line of defence he employed when questioned during the Bundestag's Flick hearings late last year. He had no knowledge of any tax irregularities, and *if* the *CDU* had "sinned" over the donations, then other large parties had done so as well.

Black economy put at 12% of GNP

BY RUPERT CORNWELL IN BONN

URGENT GOVERNMENT measures are needed to tackle the "black economy" in West Germany, which is worth some DM 200bn (£50bn) a year and provides illegal employment for around 1.5m people.

This is the view of the small and medium industry association (MIT) of the ruling CDU-CSU union of conservative political parties, set out in a "strategy document" which casts rare light on the scale of the underground component of what is generally held to be one of Europe's most regimented and well supervised economies.

The figures are necessarily an estimate. But if roughly correct, they would suggest that the black economy now accounts for around 12 per cent of West Germany's gross national product, put at DM 1,750bn in 1984.

Further *evidence* that the illegal sector of the economy is growing comes from the fines levied by the authorities for work carried out unregistered, and without the *statutory social security* contributions.

Last year, such fines totalled DM8.3m — derisory when set against the scale of the practice, but more than 25 per cent up from 1983. The Federation of West German craft industries, moreover, has estimated that "black labour" costs the artisanal sector some DM 40bn *of lost orders annually*, around a tenth of its total official business.

As might be expected, the fines suggest that the bulk of the problem is to be found in the building industry and in home maintenance.

But the MIT's guess that some 1.5m jobs are involved could also throw a slightly different light on the entire debate raging over unemployment in West Germany. Ths stands officially at over 2.1m or 8.7 per cent of the workforce and the highest mid-summer level ever recorded here.

Among the recommendation of the MIT to combat black labour are the introduction of mandatory national insurance cards, and tighter supervision of part-time work. But the association also wants less rigid wage *contracts* and greater differentials for skilled workers, as a means of attracting labour back to above-board jobs.

Sr Boyer: close to government decisions

Top post in banking for Boyer

By Tom Burns in Madrid

SR MIGUEL BOYER, the former Spanish Economy and Finance Minister, was yesterday appointed chairman of Banco Exterior, Spain's export finance bank, in a move that keeps him close to the Government's decision-making process on financial affairs.

The appointment was made by the board of the state-controlled bank on the recommendation of Sr Carlos Solchaga, who succeeded Sr Boyer in the economy portfolio at the beginning of the month, and with the specific endorsement of Sr Felipe Gonzalez, the Prime Minister.

Sr Boyer replaces Sr Francisco Fernandez Ordonez, who was promoted from the Banco Exterior chairmanship to Foreign Minister in the July 4 cabinet reshuffle.

The Banco Exterior appointment brings Sr Boyer into close contact with the so-called "big seven" private banks whose chairmen meet on a regular and informal basis to discuss monetary policy.

During his spell in the cabinet, he earned the esteem of Spanish bankers and his now automatic membership of the top banking circle will give the government a key toehold in the financial markets.

This means that the Government will have a singular ally for contentious issues with the private banks and most importantly over the question of the *coeficiente bancarios*, the system of compulsory ratios established by the monetary authorities by which banks are forced to invest a percentage of their customer liabilities in state-directed assets.

Bankers say that the *coeficientes* which currently siphon off just over 50 per cent of a private bank's deposit base, could be pushed up still further as a result of the urgent need to finance the budget deficit.

Tests show wine was not toxic

BERLIN – West German health officials, reversing earlier findings, said yesterday that no traces of a toxic anti-freeze component had been discovered in West German wines.

Herr Klaus Guenther, director of the Berlin-based Food Analysis Institute, said extensive tests proved the chemical agent diethylene glycol – discovered in some Austrian wines – had not been found mixed with German wines as originally thought.

On Wednesday, Herr Guenther told reporters that a small quantity of diethylene glycol had turned up in two tested bottles of the "Kellergeister" wine brand.

"From the test results we can now conclude without a doubt that the toxic antifreeze agent which has been found in Austrian wines has not been added to German wines," Herr Guenther said yesterday.

The director said the discrepancy in his institute's test results was due to the difficulty in examining wine for small quantities of diethylene glycol.

Herr Guenther said it was difficult to distinguish between the antifreeze agent and simple sugar in the tests conducted by the institute and denied his institute had not conducted a proper analysis on Wednesday.

On Wednesday, Herr Guenther said 0.07 grams per litre of diethylene glycol turned up in two bottles of the "Kellergeister" wine brand.

The Dutch Health Ministry denied reports that the chemical had been found in German wines exported to that country. The Dutch said tests performed by health officials in Rotterdam were faulty.

Health officials say that a gram of the chemical for every 2.2 pounds of body weight is considered a deadly dose. A tenth of that amount can cause permanent kidney damage.

Meanwhile, more than 1m litres of Austrian wines believed contaminated with diethylene glycol have been confiscated in West Germany this month, officials reported.

Austrian authorities have arrested more than 20 wine growers and charged them with illegally adding the chemical in small amounts to artificially improve their products' taste.

The Austrian Agriculture Ministry has guaranteed that no more of the tainted wines was exported to West Germany after the chemical problem was discovered there in April.

AP

French raise benefit for long-term unemployed

BY DAVID HOUSEGO IN PARIS

FRENCH EMPLOYERS and trades union organisations unexpectedly reached agreement yesterday on raising unemployment benefit for those out of work for a long period.

Unemployment benefit for 330,000 long-term unemployed will rise from FFr 43 a day to FFr 63 ($7.3). The increase will be financed by a 0.2 per cent increase in the social security contributions paid by wage earners. Employers have agreed in principle to further increase their contribution, should steps to cut costs in the unemployment benefit fund in the autumn fail to eliminate the current deficit of over FFr 3bn.

Industry has also extracted the concession that overtime employers and wage earners will gradually split the financing of unemployment on a 50/50 basis. Currently, industry bears about 72 per cent

The negotiations were deadlocked until the early hours of the morning because of industry's determination to avoid any further increase in its already heavy social security burden.

Hopes for a compromise had seemed slim because of the recent hardening of attitudes on both sides *of industry in advance of the March* parliamentary elections.

Under the French system unemployment benefit drops dramatically for those out of work for more than a year

That allowance was recently raised to FFr 64.50 for 115,000 long-term unemployed who draw a state-paid benefit as having been employed in five of the previous 10 years.

Craxi delays economic package

BY JAMES BUXTON IN ROME

THE ITALIAN Government appears to have dropped plans for an immediate package of economic measures to hold down its soaring budget deficit.

The government of Sig Bettino Craxi accepts the need to cut the deficit by about L5,000bn if the target for the year of L100,000bn (£38.5bn) is to be met. The deficit is equal to about 13.5 per cent of gross domestic product

However, with increase in *direct taxation a political im*possibility and reductions in spending difficult both to agree and implement, the only option left to the Government was to raise indirect taxes through an increase in the petrol price and to put up charges for Government-provided services.

This, economic ministers realised, would tend to increase the cost of living index, thus jeopardising another government objective—that of bringing inflation down from its current 8.6 per cent.

The issue now seems likely to be postponed until after the summer holiday period when attention could focus ways of reducing spending rather than raising revenue.

Today, Sig Craxi will hold another meeting of the leaders of the five parties in the ruling coalition to hammer out a new programme for the Government, which is just coming up to its second anniversary. He has issued a draft programme which highlights the putting to rights of public finances and implies the need for a further three years in office — which would mean continuing until the next general election is due in 1988.

The ruling parties have not only to agree on a programme and on possible changes in the *cabinet, but must also settle* crucial issues of how to share out power in local government, following last May's local elections, and in the Rai state broadcasting authority.

Polish pressure for export bank

BY CHRISTOPHER BOBINSKI IN WARSAW

POLAND'S FOREIGN Trade Ministry is pushing hard for a specialised bank to be established to finance small scale export-related investment projects, according to Professor Jozef Soldaczuk, head of the Trade Ministry Research Institute which also supports the idea.

Initially, the bank would provide short term zloty credits to companies for modernisation projects. But some hard currency financing is also envisaged he says.

The idea has still to win the approval of the existing banks and some, like the Bank Handlowy, the present foreign trade bank, are known to be cool towards it.

Prof Soldaczuk says it will provide a means of stimulating sales abroad. He was speaking after this week's signing of an agreement rescheduling $11.3bn worth of debts falling due between 1982 and 1984 to 17 Western governments

He is confident that the 10 per cent annual growth target for hard currency exports to 1990 is a realistic one. Last year, Poland had a $1.5bn trade surplus on hard currency exports worth $6.3bn. But Prof Soldaczuk thinks the country can no longer afford to rely on expansion of either the volume, or even the value, of raw material sales which at present provide a third of external earnings.

Rather, sales of agricultural products and processed foods, especially fruit, provide a promising area for expansion.

Austrians to sell their sole N-plant

BY W. L. LUETKENS IN LONDON

AUSTRIA'S only nuclear power station, at Zwentendorf, is to be put up for sale because political difficulties raised since its completion in 1978 have prevented it being brought on stream.

Shareholders in the power station decided in Vienna yesterday to pursue two offers made for the disposal of Zwentendorf. The offers were submitted by Bechtel International, the U.S. consultants, and by Elektrowatt of Switzerland, who are expected to seek buyers for the 722 megawatt boiling water power station.

*The management of the operat*ing company, Grosskraftwerk Tullnerfeld, was instructed to clarify questions concerning the two offers as soon as possible. That may take up to nine months.

Asked whether this meant a reprieve for Zwentendorf, Dr Walter Fremuth, head of the national electricity grid, said "Yes and no."

If a potential buyer was to offer an appropriate price, the matter might be settled very quickly, but Dr Fremuth, who has been struggling to keep Zwentendorf alive *against environmental objections* and other political obstructions, said: "I no longer see even a rosy glimmer."

Representatives of Austrian industry and trade unions may be expected to continue to fight for Zwentendorf and the Sch 14bn ($705m) invested there in capital and maintenance costs, but their chances of success must be slim.

The power station has been the central theme of Austrian domestic politics for several years. In 1978 a referendum went against commis*sioning the station and although* public opinion has now swung the other way, the political parties have not been able to agree on another referendum on the matter.

Majorities in both the Socialist Party of Dr Fred Sinowatz, the Chancellor, and in the main opposition party, the Austrian People's Party, are known to favour nuclear power. But the small Freedom Party, upon which Dr Sinowatz relies for his majority, is against it. Dr Sinowatz has made several attempts to get the opposition to help him out, all without success.

East Germany likely to spend on factories

EAST BERLIN – East Germany may be planning major investments to modernise and reconstruct its industrial plants as the potential for intensive economic growth approaches its limits, Western economic experts said yesterday.

One expert said the most likely reason why East Germany has taken out credits with Western banks amounting to some $1bn this year is for the funding of these projects, which are likely to be announced in the five-year plan for 1986-90 now being worked out.

The experts said the growth in produced national income of a year-on-year 4.1 per cent for the first half of 1985 was clearly reached by further economies in fuel and raw materials. Unit costs in industrial production dropped by 2 per cent.

The figures, announced in the Communist Party newspaper Neues Deutschland, compare with growth of 5.5 per cent in the whole of 1984.

Industrial investment was static at around OM 25bn ($8.8bn at the official rate) in the first half of this year.

Israel urges U.S. to shun Palestinian peace talks nominees

BY DAVID LENNON IN TEL AVIV

ISRAEL IS urging the U.S. not to allow its officials to meet with any of the Palestinians included in a list of potential delegates to a joint Jordanian-Palestinian delegation for preliminary talks on a new Middle East peace initiative.

Jerusalem yesterday totally rejected the delegates named by Mr Yassir Arafat, the PLO chairman, despite the fact that all but one of them are political rather than military figures *within the Palestinian independence movement.*

The 1.2m Palestinians living under Israeli occupation on the West Bank and the Gaza Strip were muted in their reaction. While there was broad satisfaction that the list did not include any pro-Jordanian figures, there was tan air of resignation about the prospects of Israel accepting those named as representatives of the Palestinians.

This pessimism was borne out yesterday by statements by officials close to Mr Shimon Peres, the Prime Minister. "The basic feeling is that the list of potential delegates is more PLO coloured than we had anticipated. Therefore it is rejected."

They described the latest attempt to end the deadlock over the Palestinian issue as "an effort to legitimise the PLO in the eyes of the U.S.," but added: "We feel that Mr Richard Murphy, the Assistant Secretary of State, will not meet these people because they are representative of the PLO."

A Foreign Ministry spokesman said that if U.S. official meets with these Palestinians, the U.S. will be violating the 1974 undertaking of Mr Henry Kisisnger, former Secretary of State, that the U.S. would not negotiate with the PLO as long as it refuses to recognise Israel's right to exist.

Mr Shimon Peres

Among the names mentioned by both Palestinian and Israeli officials, but not confirmed officially, are Mr Hanna Siniora, a PLO supporter who edits the East Jerusalem daily al-Fajr, and Mr Faez Abu Rahme, chairman of the Chamber of Advocates in the Gaza Strip.

The others live outside the occupied territories. They include Mr Khaled al-Hasan, a member of the central committee of Fatah, Mr Salah Taamari, who is married to Queen Dina, a former wife of King Hussein, and Mr Nabil El-Shaat, a close adviser to Mr *Arafat.*

The sixth name, according to the Jerusalem daily al-Kuds, is Mr Hatem Husseini. He is the head of the Palestine Information Office in the U.S.

Gujarat riots flare anew

BY K. K. SHARMA IN NEW DELHI

FRESH violence flared up in the troubled western Indian state of Gujarat last night and eight people were killed in rioting in Ahmedabad, the state capital, where the army was withdrawn on Tuesday after two months of patrolling.

The army is being withdrawn from other Gujarat towns in a bid to bring peace to the state which has been in the grip of a violent five-month-old agitation against the increase of job quotas for backward castes.

● Two U.S. experts said yesterday it was too early to say whether a mid-air explosion blew a packed Air India Jumbo jet out of the sky near Ireland last month, Reuter reports from Bombay.

Philippine leaders said to export capital

By Samuel Senoren in Manila

TWO of the Philippines' largest and most influential business groups spearheaded a move yesterday to pressure President Ferdinand Marcos into ordering an independent investigation of reports that senior members of his Cabinet and close friends had illegally exported foreign exchange resources.

The Philippine Chamber of Commerce and Industry and the Employers' Confederation of the Philippines were *joined* by 12 other business, church, legal and educational groups in demanding "a full and public investigation of these reported overseas investments."

An open letter jointly signed by the 14 organisations said the reports "have become a serious matter of public concern, particularly at a time of extreme economic and financial difficulty in the country."

The Philippine economy is reeling from the effects of a $26bn (£18.4bn) debt which has had to be restructured.

Economists estimated that as much as $10bn in Philippine capital had been illegally stashed abroad.

The demand for an impartial inquiry was the first organised reaction from the private sector since reports of the overseas investments appeared in U.S. newspapers last month.

Last week, Mr Marcos directed his Justice Minister, Mr Estelito Mendoza, to investigate the reports. But opposition groups belittled the effort claiming it was unlikely that Mr Mendoza would initiate an impartial inquiry of his peers.

Mr Marcos and his politically powerful wife, Imelda, had been mentioned in the reports as among the top Filipino investors in the U.S. Mr Marcos denied he has any *interests in the U.S.*

The allegations, first published by the San Jose Mercury News of California and picked by local publications, sparked a fresh attempt *by the opposition minority in* the National Assembly to unseat Mr Marcos who has been in power for 20 years.

Reuter

Siemens S. Africa dispute deadlock

BY JIM JONES IN JOHANNESBURG

TALKS between management and unions aimed at settling a dispute at Siemens South African plants were dealocked yesterday after the management fired more than 1,000 striking workers on Wednesday and the unions claimed the company was preparing to hire replacement workers.

MAWU, the Metal and Allied Workers Union, whose members struck earlier this week in support of wage demands has called on other workers not to take the jobs of unionists who have been fired.

The dispute clearly indicates fundamental misunderstandings between many fo South Africa's employers and black employees. Siemens was a participant in recent industry-wide wage negotiations and undertook to pay an agreed increase of 14 cents (about 4p) an hour to its employees.

Mawu demanded that wages be increased by R1 an hour—an increase of about 70 per cent on the R1.37 an hour which the union claims is the current minimum wage or 40 per cent on the R2.32 an hour which Mr Johan Trotskie, Siemens' joint managing director, says is lowest rate paid in the company's factories. Mawu claims that because the company earned a profit of DM 1.4bn (£350m) worldwide last year, it could afford the increases demanded for its South African black employees.

Earlier this week Mawu claimed that Siemens had fired 2,000 employees, which represented the entire workforces of the company's five factories in the Johannesburg area. Mr Trotskie contradicts this by saying that between 1,100 and 1,200 people had been dismissed out of a total workforce of 6,000. He added that in addition to the industry-wide negotiated hourly wage increases, Siemens awarded certain employees merit-based increases. He justified the dismissals by claiming that black strikers had intimidated their coloured colleagues into staying away from work.

Siemens, like many other South African companies, is faced with significant difficulties as industry shifts away from the paternalistic attitudes which characterised the days of rigid apartheid. Many corporations believe it is necessary to make clear to unions that excessive wage demands risk leading to unemployment and the replacement of semi-skilled workers by machines. Many unions, in contrast, believe that industry has been exploitative for too many years and that now it has to make good the period of low

Thatcher urged to contact BTR

BY WILLIAM DULLFORCE IN GENEVA

THE International Metalworkers' Federation (IMF) has appealed to Mrs Margaret Thatcher, the British Prime Minister, to intervene in the case of a South African subsidiary of the UK company, *BTR, where black workers have* died and been injured in violent clashes following the dismissal of 950 workers in May.

Mr Herman Rebhan, the general secretary of the Geneva-based IMF, sent a telegram to Mrs Thatcher on Wednesday asking her to contact urgently Sir Owen Green, the BTR chief executive, "before more people get killed and hurt."

She should show the people of South Africa that Britain did not endorse the activities of British companies in their support for "the most odious aspects of the apartheid system," Mr Rebhan's telegram *said.*

The Metal and Allied Workers Union (MAWU) in South Africa, an affiliate member of the IMF, has asked the BTR management in Britain to order BTR Sarmcol, its subsidiary, to negotiate with the unions over the dismissals but the British managers have so far refused to become involved, according to the IMF.

The federation say mass picketing and the recruitment of strike-breakers in the Natal town of Howick, where the BTR factory is located, has led to three deaths and several injuries. Police called in by the company have used tear gas in *attacks on dismissed workers,* the IMF says.

Mr Rebhan said he could not understand why BTR in England was adopting "a Pontius Pilate role." The British parent company fully controlled its South African subsidiary.

"Part of the responsibility for the rising tide of violence associated with the BTR dispute in South Africa rests squarely in Britain," Mr Rebhan said.

Dutchman to be handed back

SOUTH AFRICA said yesterday it is willing to hand over a Dutch detainee who failed to get sanctuary in the Netherlands embassy in Pretoria last week, but declared that he would face criminal charges, Reuter *reports from Pretoria.*

Foreign Minister Pik Botha said in a statement that it seemed South African police escorting Mr K'aas de Jonge had technically violated the embassy's diplomatic immunity.

Mr Botha said Pretoria had told the Dutch authorities it was willing to return Mr de Jonge to the embassy

OAU likely to stress self-help, debt relief

AFRICAN leaders meet in Addis Ababa today to seek solutions to the problems of a continent with $170bn of debts and almost a third of its 500m people hungry. Reuter reports from the Ethiopian capital.

The annual gathering of Organisation of African Unity (OAU) leaders is usually devoted to declarations on South Africa, imperialism and the *Middle East,* but this year *is* different.

Africa, in the words of a key summit document, "is facing an unprecedented economic and social crisis." Famine is rife and debt now amounts to $340 per capita.

In the next two days, OAU leaders are expected to approve resolutions which will acknowledge their own responsibility towards fighting falling food output and will urge western creditor nations to be less harsh about their debts.

Although more than half the OAU's member states are implacably hostile towards the developed nations' control of the world economy, the final resolution is not expected to blame Washington, London or *Paris for Africa's decline.*

"It is first and foremost incumbent upon Africa itself to define the conditions and assume direct responsibility for the rehabilitation of the economy," according to the proposed summit communique, which is expected to be adopted almost unchanged.

The documents likely to be called the *Addis Ababa* declaration, calls on governments to revise their agriculture policies because food output over the past five years has grown by only 1.7 per cent against aver*age population growth of* 2.8 per cent.

"Millions of Africans see their living standards deteriorate each day, more so as the rural areas can no longer pro*duce the necessary foodstuffs* to meet the demands of the population . . .

"A lasting solution to these problems will not depend on short-term emergency measures such as food aid but on the structural transformation of African economies," it says.

A recommendation by the UN Economic Commission for *Africa* (ECA) says at least 20 per cent of government revenue should be ploughed back into the land, compared with around 10 per cent at present.

To buy some breathing space to recover from one of the worst droughts in history, the final resolution will also call on Western governments and banks to reschedule Africa's $170bn of debt, delegates said.

There was talk then of declaring a debt moratorium and of refusals to pay. But during preparatory ministerial sessions this week only four states—Angola, Burkina Faso, Mozambique, and Sao Tome and Principe—called for a moratorium, delegates said. They found little support.

S. Korea cracks down on opposition

By Steven B. Butler in Seoul

THE South Korean Government yesterday arrested 56 students on charges of attempting to overthrow the Government of President Chun Doo-Hwan and says it is still looking for 23 more. Thirteen of the students were charged under the severe National Security Laws, which allow for a maximum penalty of death.

The arrests come after a month of increasingly harsh action taken against student and labour activists, marking an abrupt reversal of the more liberal attitude that the Government showed throughout the spring.

The Government has also adopted a harder line in dealing with the outspoken opposition that gained strongly in February's National Assembly elections. Earlier this week the Government party boycotted a special session of the assembly that the opposition had called *to discuss the restoration of full* political rights to Mr Kim Dae-Jung, one of South Korea's most prominent dissidents.

The Government says it has no intention of restoring Mr Kim's rights, which are denied under the terms of a suspended sentence for sedition, and it has threatened legal action against Mr Kim if he joins the opposition New Korea Democratic Party, as many of his supporters are urging.

It is still too early to tell if the crackdown signals any permanent change in the Government's announced policy of gradual liberalisation, but it confirms the fears of many Government opponents.

"Everyone said that Mr Chun would crack down after he came back from visiting Washington in April," says a labour specialist. "and that is just what has happened.."

U.S. pressure on the government has been widely credited with helping to bring about the dramatic political liberalisation that had taken place earlier.

The arrested students were members of the *Sammintu,* an anti-Government organisation that the Government has now labeled "pro-communist."

The organisation is accused of masterminding a four-day sit-in at the American Cultural Centre in May which greatly embarrassed the Government.

AMERICAN NEWS

Volcker in move to defend Fed inflation policy

BY STEWART FLEMING IN WASHINGTON

FEDERAL RESERVE Board Chairman Paul Volcker moved vigorously yesterday to defend the credibility of the Central Bank as a bulwark against inflation. He also directly challenged the Reagan Administration's domestic political priorities saying that cutting the federal budget deficit is "more important, more urgent," than tax reform.

Since Tuesday when the Fed announced that it had decided to ignore excessive monetary growth in the first half of the year, Wall Street has been speculating that the Central Bank is signalling a readiness to move aggressively to cut interest rates again in order to boost the economy. Fed critics have argued that if this is the case the Fed is on the verge of repeating the errors of the past and is laying the foundation for another burst of rampant inflation.

In testimony before the Senate banking committee yesterday Mr Volcker said that it would be "a serious misreading of our intentions" to conclude that the Fed has in any way eased its stance against fighting inflation.

Mr Volcker commented specifically on the decision to rebase the narrow M1 monetary target so as to ignore fast monetary growth in the first half of the year, while retaining M1 as a meaningful monetary target. He said that even with the new target range for the second half of the year M1 will still be high. "That expresses our concern that this rate of monetary growth should not continue. We are being reasonably conservative," he said.

In separate congressional testimony Mr Preston Martin, Fed vice-chairman, who was recently involved in a public argument with Mr Volcker on the third world debt crisis lent verbal support to the Fed Chairman's arguments.

Mr Martin, who is perceived to be more inclined to ease monetary policy in pursuit of growth than the chairman said "an aggressive policy by the Federal Reserve of massive money growth to bring down short-term interest rates in order to reduce the value of the dollar would set the stage for higher inflation in the future."

Mr Volcker, speaking out more forcefully than he did on Tuesday before the House banking committee, said that interest rates could begin to rise if market participants perceive a pick up in economic growth at the same time the dollar is declining. The rise in interest rates would be exacerbated if at the same time the feeling became widespread that all hope had been lost on satisfactory measures to cut the federal budget deficit.

Mr Paul Volcker said yesterday he had no plans to step down as head of the U.S. central bank, Reuter reports from Washington. There has been considerable speculation that he might quit his job early. When confirmed in 1983 for a second four-year term Mr Volcker said he did not feel committed to staying the full length. But appearing yesterday before the Senate banking committee, he said he had no present plans to leave early.

World Bank income up

THE WORLD BANK said yesterday it had a record net income of $1.14bn (£809m) for the fiscal year that ended June 30, Reuter reports from Washington.

The net income surpasses the Bank's previous high of $752m in fiscal 1983 and is 90 per cent higher than fiscal 1984's earning of $600m, the Bank said.

The Bank said its financial results also included record borrowing of $11.1bn, up from the previous record of $10.3bn set in fiscal 1983.

The Bank said its record net income resulted largely from the Bank's lost cost of total funds—debt plus equity—of 7.44 per cent and from high rates of return of 12.63 per cent

Congress set for MX missile compromise

By Reginald Dale, U.S. Editor in Washington

THE U.S. CONGRESS is likely to limit the number of MX missiles deployed in fixed silos to 50, half the number originally sought by President Ronald Reagan, but more than the 40 proposed by the House of Representatives, according to Congressional sources.

The provisional agreement was reached by House-Senate conference negotiators, who are trying to reconcile wide-ranging differences between the defence spending bills passed by the two Houses for the coming 1986 budget year. The negotiators were also said to have agreed to drop a moratorium on the testing of anti-satellite weapons, favoured by the House, and to split the difference on funds for Mr Reagan's Star Wars space defence programme at $2.75bn (£1.94bn).

The MX compromise would provide up to $2.6bn for the missile programme next year, including production of 12 more missiles on top of the 42 already authorised. But no more than 50 could be deployed unless the President came up with a new, less vulnerable basing system, and Congress approved it.

Pentagon officials said that the agreement would at least keep the missile assembly line moving and "keep the door" open for the deployment of more missiles in future. The negotiators added $100m to the Pentagon's request for $624m for the planned mobile, single-warhead Midgetman.

The $2.75bn for Star Wars compared with almost $3bn originally approved by the Senate and $2.5bn by the House. Mr Reagan had asked for $3.7bn, up from $1.4bn in the current budget.

The Air Force would also be allowed to conduct three tests of anti-satellite weapons against objects in space between now and October 1986.

Elsewhere on Capitol Hill, a House appropriations subcommittee cut $1.2bn from Mr Reagan's $15.46bn foreign aid request for next year, and voted to bar any nation from receiving U.S. aid until it took adequate airport security measures against terrorists.

Nicki Kelly in Nassau examines the effect of drug trafficking on the country

Cocaine money breeds trouble in Bahamas

THE Bahamian Prime Minister, Sir Lynden Pindling, admitted to some embarrassment recently when asked by other Caribbean leaders to explain the Bahamas' formula for economic success. "We don't have any formula," he said. "We don't know ourselves."

Sir Lynden may not know, but many bankers and businessmen say that drug trafficking as much as tourism is a prime contributor to the conspicuous affluence evident everywhere in this small nation of 250,000 people.

Mr Valentine Grimes, a member of the governing Progressive Liberal Party (PLP), estimated during parliamentary debate on the issue that between 15 and 25 per cent of the Bahamian economy is based on the illegal drug trade. Others in closer touch with the financial side of the business say the figure is much higher.

One banker tells of a Bahamian customer who tried to deposit two sackfuls of American currency totalling nearly $800,000 (£567,370). The bank turned him away rather than risk problems with the central bank, which now requires all large cash deposits to be reported.

Many drug traffickers and drug pushers, to avoid identification, convert their cash into goods, from palatial homes and expensive cars to the more than 4,000 satellite dishes which dot the islands.

The most obvious evidence of drug money is the amount of private home construction that has taken place during a period when both tourism and foreign investment were in a deep slump. Between 1976 and 1984, the number of housing starts increased by 200 per cent. In Grand Bahama, the second most important island and the area hardest hit, the number of new homes under construction rose during the period from a value of £837,000 to £17.5m.

The drug trade has now become the only source of income for many islands. In Bimini, with a population of 1,500, dollar deposits in the island's only bank increased from $544,360 in 1977 to $12.3m in 1983. The deposits could not be linked to any ordinary business transactions, the governor of the central bank told a recent commission investigating drug trafficking through the islands. The only conclusion the bank could come to, he said, was that "the deposits were directly related to the flow of drugs."

"There is little doubt that drug money has bred a new culture among Bahamians. Drug pushers, openly flaunting their wealth, are regarded as heroes by many young people. Money appears to be power and it purchases acceptance by any and all," said Mr Hubert Ingraham, a former cabinet minister.

Mr Ingraham and Mr Perry Christie were dismissed from the Cabinet by the Prime Minister last October when they demanded that Sir Lynden and two other Cabinet members resign after the commission found evidence of ministerial wrongdoing.

The inquiry uncovered a network of drug-related corruption embracing all segments of Bahamian Society, including the police, civil service, legal and banking professions and Cabinet.

Information revealed during the hearings showed the Government was aware as early as 1974 that drug smuggling was developing into a serious problem for the Bahamas. Nothing was done, however, first because the drugs were in transit to the U.S. and were thereby regarded as an American problem, and secondly because of the growing importance of drug smuggling in keeping the economy afloat.

No one anticipated, however, the wave of cocaine addiction that would sweep over the Bahamas in the flow of drugs from South America. Medical experts say that the amount of cocaine "freebasing" exceeds anything known elsewhere outside of Colombia, one of the major suppliers of cocaine. Freebasing involves inhaling the cocaine vapor instead of sniffing or injecting the drug intraveinously. The ecect is to deliver nearly pure cocaine to the brain within seconds, and can turn a user into an addict within three to six months.

Dr David Allen, a Bahamian psychiatrist and the principal force behind efforts to educate Bahamians to the dangers of cocaine, blames freebasing for the unprecedented level of violent crime in the country.

Since the beginning of the year, at least 24 people have been shot in armed robberies, three of them fatally. Hundreds more, including scores of visitors to the resort city of Nassau have been held up and terrorised by young criminals toting shotguns, pistols and knives.

According to police, more than 11,000 major crimes were reported last year. Nassau, with less than 160,000 population, accounted for 70 per cent of the total. A national drug task force has also pointed to other social and economic problems from cocaine addiction now plaguing the Bahamas, including suicide, unheard of previously, loss of family income, collapse of the family structure and the rising incidence of prostitution and child abuse.

Doctors are worried about the long-term repercussions on the nation's health and cite the rapid spread of veneral disease among drug addicts, and the "shocking" increase in the number of female freebasers who have become pregnant. Dr Allen has warned that unless drugs are eradicated from the Bahamas, the society will be destroyed in less than a decade.

Despite evidence to the contrary, many Bahamians still see nothing wrong in aiding or facilitating the drug trade. Dr Timothy McCartney, a clinical psychologist who has worked closely with drug addicts, attributes this to the amount of drug money dumped in the country by the drug trade, and the ambivalence of parents towards the situation.

Dr McCartney tells of treating a young man from a well-known Bahamian family who had been pushing drugs until he became addicted. Accustomed to the luxuries drug money could buy, his family was only concerned that their son could be cured quickly so that he could continue his job.

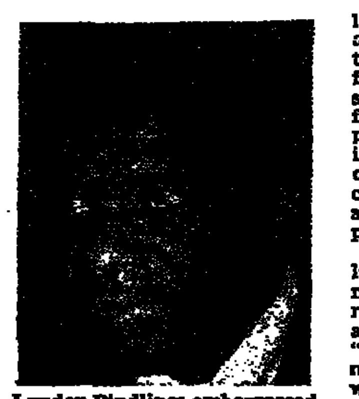
As Dr Sandra Dean Patterson, a sociologist, put it: "Breaking the grip that cocaine has on the Bahamas will be impossible unless and until Bahamians decide what their mores are in relation to drugs and what their values are in relation to success."

Mr Norman Saunders, the former chief minister of the Turks and Caicos Islands, has admitted accepting $50,000 (£36,211) from U.S. Government agents posing as drug smugglers, but said he never intended to go through with the drug deal, Reuter reports from Miami.

Mr Saunders, taking the witness stand on Wednesday for the first time at his trial in Miami, said he was playing along with the smugglers in hopes of securing financial benefits for his impoverished island chain.

He said he never intended to allow the smugglers to carry out plans to ship tonnes of narcotics through the British territory of 8,000 people, which lies 575 miles southeast of Miami.

Mr Saunders, the first foreign head of government ever detained in the U.S. on drug charges, is accused of conspiring to use the Turks and Caicos as a base to smuggle narcotics into south Florida.



Lynden Pindling: embarrassed

Mexico 'can weather price fall'

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO SHOULD be able to weather the decline in oil prices without any new forced bank loans and without reopening existing rescheduling arrangements, Mr William Rhodes, a senior Citibank executive said yesterday.

Mr Rhodes, chairman of the advisory committee that renegotiated Mexico's $96bn (£67.6bn) foreign debt on behalf of more than 500 banks worldwide, noted in a speech to bankers in Cambridge that the weak oil price had fuelled speculation that Mexico could face fresh financial problems.

"I don't see any danger of that. The Mexicans have used conservative estimates in their economic projections and reserves are still high at $6bn at the end of June," he said.

However, his remarks came on the same day as a new study from The Economist's International Economic Appraisal Service, which suggested Mexico would need to seek a further rescheduling of its foreign debt by the end of 1986.

Even with a maxi-devaluation of the peso Mexico's current account balance of payments would still swing from surplus this year to a deficit of $1.7bn by 1987, the study said. On top of that it would have to finance increasing payments of principal from then on.

Nicaragua plans big rally

BY HUGH O'SHAUGHNESSY

THE NICARAGUAN government is planning to mark today's sixth anniversary of the overthrow of the dictatorship of General Anastasius Somoza and the ascent to power of the Sandinista movement by a mass rally in Managua.

Some 400,000 people and hundreds of foreign visitors are scheduled to hear speeches by President Daniel Ortega and others in the main square of the capital.

The Government hopes to stage a clear demonstration of continuing popular loyalty to the Sandinista front and of definance towards the U.S. backed contra insurgents.

Sr Alejandro Martinez, the Foreign Trade Minister, said this week that new sacrifices would be needed if Nicaragua was to find fresh markets for the products which it sold in the U.S. before Washington imposed its ban on trade with Nicaragua earlier this year.

WORLD TRADE NEWS

Brazil in talks on sale of ethanol to U.S.

By Andrew Whitley in Rio de Janeiro

BRAZIL IS negotiating the sale of 2bn litres of ethanol, alcohol fuel converted from sugar cane, to the U.S. in a deal worth up to $500m. (£354m).

Sr Roberto Gusmao, the Industry and Commerce Minister, will head a delegation of Government officials and businessmen in talks next week in New York with unidentified U.S. petrol distributors, in a bid to conclude the negotiations.

If successful, this would be a major breakthrough for Brazil into an export market which has so far remained tantalisingly small. Last year the country exported 950m litres of alcohol fuel, bringing in $200m, of which 650m litres went to the U.S.

The spur to the latest deal is the U.S. decision to progressively eliminate lead petraethyde from petrol as from July 1 this year. But until now Brazilian attempts to use its considerable surplus sugar cane alcohol capacity to meet this need has run into strong resistance from U.S. sugar producers abetted by hefty import duties.

In a bid to boost the going market price of between $20 and $20.50 per hundred litres, the Brazilian government revealed on Wednesday that it was temporarily expending all alcohol export registrations and was itself taking over the negotiations with the U.S. distributors.

To avoid a disorderly competition abroad by Brazilian alcohol producers—all of whom are in the private sector—the Federal Sugar and Alcohol Institute, the IAA, said it would in future be establishing export parameters for the industry.

Sr Willes Banks Leite, export director of the IAA, said the deal under discussion with U.S. fuel distributors would not present any problems for the Brazilian industry in terms of supply this year, even though its production had not been planned. If necessary, he said, surplus sugar stocks could be converted into ethanol.

Brazil expects to produce 11bn litres of ethanol this year from sugar cane. But its export prospects have been threatened by two anti-dumping cases brought in the U.S. by U.S. ethanol producers led by Archer Daniels Midland.

Alan Friedman in Milan examines claims of a so-called helpful 'Italian connection' with New Delhi

Snamprogetti stays with its winning Indian formula

ON THE outskirts of Milan, at at the group headquarters of Snamprogetti, the Italian state-owned engineering company which has had a string of successful contracts in India, they positively bristle at the mention of Mrs Sonia Gandhi.

Nothing personal, you understand: it is simply that the Indian Prime Minister's wife is Italian, and for the past few months there have been constant allegations in India and from other countries that this so-called "Italian connection" helps companies from Italy to win contracts.

Nothing could be further from the truth as far as Snamprogetti is concerned. The company says it has been in the Indian market since 1960 and has completed 18 projects ranging from pipelines and lubricating oil refineries to fertiliser plants. "We are selected for contracts when our tenders are lower-priced than those from Japanese or other bidders," says one senior executive.

The Italian company's reputation in areas such as ammonia or urea fertiliser plant construction is considered to be among the best in the world: Snamprogetti also has a useful policy of trying to subcontract as much as possible to Indian companies, in rupees.

Nonetheless, the controversy has raged on, especially in the Indian Parliament. Snamprogetti recently won turnkey orders for two fertiliser plants, with a combined value of more than $1bn (£714.2m). It is thought to be a strong contender for the turnkey construction of the 1,700 km Hazire - Bijapur - Jagadishpur (HBJ) gas pipeline to feed six fertiliser plants. The allegations continue.

Duilio Greppi—Snamprogetti chairman

Snamprogetti has a sophisticated package approach to the Indian market which may even offer lessons to other plant engineering operators in the sub-continent.

What is the Snamprogetti technique? The first advantage it enjoys is that for five years it has dealt with the Indian Government and with private sector magnates such as Mr K. K. Birla, chairman of Zuari Agro Chemicals. The company's image is helped by already-completed projects: it has won 11 fertiliser contracts since 1975.

Fundamentally, however, Snamprogetti is willing to do three things in India which make its package appealing to both politicians and industrialists. First, it offers large portions of the contracts to Indian companies; in the case of the HBJ pipeline proposal, something like 60 per cent of the work. Second, the company is willing to offer technology transfer to India, which helps to offset domestic objections to foreign contracting. Thirdly, Snamprogetti tries sometimes to take an equity stake in the project alongside Government or private investors.

Dr Duilio Greppi, chairman of Snamprogetti, says this serves two purposes: it proves the company's faith in the profit potential of a project, and also "we make money on fertiliser plants in India because they generally go to 100 per cent capacity right away."

Controversy over the proposed HBJ pipeline is a different matter: more than anything else it seems to be an example of the kind of political debate which can erupt in a developing country with conflicting views on ho wto proceed on major projects.

For the past two years, the Department of Petroleum in New Delhi has been discussing the HBJ pipeline on the basis of a $1.7bn estimate by the state company Engineering India Ltd (EIL) for a set of seven different contracts. This piecemeal approach would have divided the project into sections such as the pipes supply, construction, supply of fittings, compressor stations and other parts.

Snamprogetti offered its own solution in April last year. The $1.2bn proposal was framed as a consortium of Snamprogetti, its sister pipelaying company Saipem, C. Itch and the Japan Gasoline Corporation (JGC) and Dodsal, an Indian construction group. In August 1984, Snamprogetti submitted a revised offer down to $736m. The company says it did "a better cost evaluation" by excluding compressor stations from its proposal and finding pipes which cost 30 per cent less.

Snamprogetti says there is nothing unusual about the fact that in January this year it proposed a third revised package, this time for $630m. "The pipe costs came down again as we talked to new suppliers and we also allotted more work to Indian subcontractors," explains a senior Snamprogetti executive.

Now that India has decided on a turnkey project instead of piecemeal tenders, Snamprogetti stands a better chance of winning the important HBJ deal. If the Italian company is successful, allegation of the "Italian connection" will re-emerge. But as Dr Greppi puts it: "there are more Indians in the UK than we have Italians in India," to which another Snamprogetti executive adds: "I am irritated. There is nobody in Snamprogetti who has any connections with Mrs Gandhi. The entire thing is nonsense."

Ucimu, the Italian machine tools association, yesterday described a 21.4 per cent drop in home orders in the second quarter of this year as "without a doubt alarming". Although Italian exports of machine tools and flexible manufacturing systems (FMS) actually rose by 14.4 per cent compared with the three-months to June 1984, the overall impact of the domestic slump is a 6.1 per cent fall in demand.

Compared with the second quarter of 1980, the last year before Italy's machine tools industry was hit by recession, domestic orders are 44.4 per cent lower, while exports show a comparative 15.6 per cent rise. Total Italian machine tools sales for the whole of last year were L1,750bn (£676m), of which exports accounted for 56 per cent. Italy is the world's fifth largest producer of machine tools.

Ucimu yesterday placed particular blame on the Italian Government for having allowed an incentive grant programme designed to stimulate the sector lapse. Law '696' provided around L150bn of grants to industrial companies wishing to buy machine tools at home and receive a grant of 25 per cent of the purchase price.

India awards pipeline contracts

By K. K. Sharma in New Delhi

Companies from four countries have been awarded Indian Government contracts worth $225m (£158m) to supply pipelines for the 1,700 km Hazire - Bijapur - Jagadishpur (HBJ) gas pipeline which will serve six gas-based fertiliser plants in northern and central India.

A consortium of five Japanese companies—Sumitomo, C. Itoh, Mtsui, Mitsubishi and Maruben—has won the $94m contracts to supply 374 km of 36-inch pipelines for the project. More than 20 groups bid separately for the project.

Petrobas Commercio Internations of Brazil has won the contract to supply 287 km of 36-inch pipes worth $51.32m.

The West German group Bergrohr will supply 360 km of 30-inch pipes worth $55.25m.

It has also won the contract to supply 11 km of casings pipes worth $1.15m.

The Italian company Siderexport has been awarded the contract to supply 310 km of 24-inch pipes worth $32.40m.

All contracts have been won by companies based on credit offered by their countries' governments. Supply of pipes is to begin in about five months and will be completed by January 1987.

The turnkey contractor, to be selected by the end of the year, will put protective coatings on the pipeline.

The government-owned steel authority of India is expected to be awarded a contract to supply 18-inch pipes for the project.

U.S. group signs gelatin capsule deal with China

BY ROBERT THOMSON IN PEKING

THE U.S. pharmaceutical producer Warner-Lambert company has signed an agreement for a $14m (£9.8m) joint venture with China's state pharmaceutical administration to produce hard gelatin capsules.

Under the agreement, the newly-formed Sino-American Capsugel (Suzhou) Limited will produce empty gelatin capsules at a yet-to-be-constructed plant in Suzhou, north west of Shanghai, for oral drug administration.

A division of Warner-Lambert, Capsugel will supply the technology to make the capsules, while an agency of the spa, the China National Corporation of Pharmaceutical Economic and Technical Co-operation, will build the factory.

Construction will begin next spring, with partial production expected in October 1987, and full production from March 1988. Under the deal, Warner-Lambert will train key management and technical personnel at its capsule facility in Sagamihara, Japan.

In recent years, the company has sold empty gelatin capsules to China through Hong Kong. Warner-Lambert's chief executive, Joseph Williams, saw the joint venture as more than just another business deal.

● Japan's top pantyhose maker, Atsugi Nylon Industries has concluded a 20-year contract with China's textile Corporation in Peking to set up a joint venture for manufacturing pantyhose possible October this year, writes Yoke Shibata.

The joint venture will be capitalised at Y1bn (£303m), of which 60 per cent will be held by Atsugi Nylon and 40 per cent by Chinese group.

Biwater wins £5m Iraq sewer contract

BIWATER Shellabear International of the UK has won a £5m contract to extend a sewage treatment works in Rustamiyah, Iraq, our trade staff writes.

The contract is the second of its size in Iraq won by Biwater in recent years, and is the latest in about 15 years of business activity in the country.

The main contractor is the State Contracting Company for Water and Sewage Projects. On behalf of the Baghdad Sewage Board, John Haiste consultants will supervise construction of a large, reinforced concrete sewer and main lift pumping station.

Mr Tony Scowen, project manager for Biwater, said that there has been a surge in building and equipment supply contracts for sewage treatment facilities in the Third World in recent years.

GATT COUNCIL MEETING

Brazil, EEC attack shoe quota

BY WILLIAM DULLFORCE IN GENEVA

THE EEC and Brazil, the main opposing sides on the crucial issue of whether or not new multilateral trade talks should be held, yesterday joined forces against the U.S. in the council of the General Agreement on Tariffs and Trade (Gatt).

Both strongly condemned a recommendation by the U.S. International Trade Commission (ITC) that a quota of 474m pairs a year be imposed on U.S. imports of non-rubber footwear with a customs value of over $2.50 a pair.

Last year the U.S. imported 726m pairs of shoes and other non-rubber footwear to a value of $4.6bn against 582m pairs worth $3.7bn in 1983.

The ITC decided in June that imports were running at a level which constituted a "substantial cause of serious injury" to the domestic shoe industry.

President Ronald Reagan has until the end of August to decide whether or not the import relief recommended by the ITC should be allowed.

The EEC calculates that the loss of trade to the Communist Bloc from the proposed quota could amount to $196m (£139m) in the first year, of which $94m would apply to Spain.

Mr Tran Van-Thinh, the EEC ambassador, warned that, if the ITC recommendation was accepted, the EEC would be the only remaining open market in the world for footwear.

The Community might well feel forced both to take countermeasures against the U.S. and to protect itself against the surplus production from other countries left on the world market, Mr Tran warned.

Agencies add: Asia's big textile exporters, smarting from curbs on their goods by importers nations, are expected to accept a new Multi-fibre Arrangement (MFA) despite blaming it for some of their biggest trade problems.

But government and industry officials throughout the region said the exporting countries would press for changes when they met in Geneva on July 23.

The agreement, which governs the world's textile trade, is to expire in mid-1986.

"It is unrealistic to expect the dismatling of the MFA," said Mr Kenneth Fang, a Hong Kong executive who advises the government on textile policy.

South Korean traders also reacted sharply yesterday to a 25 per cent surcharge being proposed by U.S. Congressional Democrats on imports from four nations, calling it an undesirable protectionist move.

Short Brothers wins Thai order

SHORT BROTHERS, the Belfast aircraft manufacturer, has won an order worth about £7m for two of its 36-seat Series 360 twin-engined turbo-prop airliners from Thai Airways, the national domestic airline of Thailand, writes Michael Donne, Aerospace Correspondent.

It follows earlier orders from Thailand for four of the smaller Short 330 33-seat airliners, already in service, and for four of the military version of the 330, already in service with the Thai Police and Thai Army.

Statutory body for City 'may be needed'

THE GOVERNMENT should not hesitate to introduce a statutory Securities and Exchange body to take over direct responsibility for the financial markets if its proposed system of self regulation is abused. That is the conclusion of a paper published today by the Conservative Bow Group on The City Revolution.

The pressure group's paper recommends the setting up of a single investment board rather than the two separate boards – covering investment markets and the marketing of life assurance – which were suggested in the Government's recent White Paper (policy document). It also goes further than the White Paper in its recommendations that the investment industry should be subject to legal control.

Contrary to the current view of the regulatory authorities, the paper says that the Takeover Panel should be given statutory backing. It makes a number of controversial proposals aimed at checking the potential conflicts of interests within the financial conglomerates that are being formed in the London markets.

- Written investment research *should disclose whether the firm* acts for, or makes a market in, the security under review, and show the aproximate size of its position at the time of publication.
- The level at which investment institutions are obliged to disclose total shareholdings of their discretionary investment clients should be reduced from 15 per cent to 5 per cent of a company's shares.
- Investment managers should not be allowed to vote shares held by their nominee companies without formal reference to the beneficial owner in cases where their firm is also acting in takeover bids or other corporate activity concerning the company.

The City Revolution – Gentlemen versus Players. Bow Group Publications. 240 High Holborn, London WC1V 7DT. £4.00.

□ BANK lending to the private sector rose by an underlying £1.4bn in the five weeks to mid-June. This rise, though relatively high in relation to the Government's monetary targets, is below the average rate of increase over the last year. Full banking figures, issued yesterday, showed that sterling M3, the broad measure of the money supply, which includes cash and bank deposits, rose by 2 per cent in June.

□ SHARES of Sumrie Clothes, the Leeds-based clothing company, fell sharply on the London Stock Exchange after allegations made in the house of Commons about its chairman's involvement with heavy losses at Johnson Matthey Bankers. The shares closed with a loss of 6p at 30p, after having touched 28p.

Mr Michael Hepker, the chairman, was said by Mr Brian Sedgemore, MP, to have led Bank of England auditors "up the garden path" in connection with allegedly fraudulent loans to an offshore investment company.

Directors of Sumrie Clothes put out a statement saying that to the best of their knowledge, the company had never had any relationship, banking or otherwise, with JMB.

□ CONSUMER spending picked up briskly in the three months to June, after more than a year of stagnation, according to official figures.

The estimate, from the Central Statistical Office, suggested that consumers spend 2 per cent more in real terms in the second quarter, compared with the level in the first three months of the year. Last year consumer spending was only 1½ per cent higher than in 1983, although the Treasury had predicted growth of 3 per cent in its 1984 budget forecast.

□ ITALIAN steel fabricators have been taking losses to win contracts in the UK and provide the main foreign threat to domestic contractors, according to surveys by the National Economic Development Office *(NEDO)*.

The Process Plant Economic Development Council will decide at its meeting today whether the findings justify an approach to the EEC. NEDO sent two separate questionnaires to 11 contractors and 24 fabricators after complaints that Italian companies were quoting prices as much as 50 per cent below those of the cheapest UK bidder.

□ ICL, the British mainframe computer company, has won orders worth £16m for its One-Per-Desk (OPD) terminal. The OPD, which combines a personal computer with an advanced telephone, was regarded as a critical new product in the company's recovery programme when it was launched late last year.

Total orders for the terminal are now worth over £30m, according to ICL. Latest orders include one for £1.5m from the New Zealand Post Office and £4.5m from a number of distributors in South Africa.

□ MANAGEMENT and unions at Shell Chemicals' production works at Carrington, near Manchester, have agreed a deal which cuts jobs by more than half but preserves the plant. There will be joint collaboration on redeployment of redundant staff elsewhere in the industry.

The 1,200 workers voted to accept a plan that will cut the workforce to 500, and abolish demarcation between operating and maintenance workers.

Clash over pay awards agreed for top earners

BY DAVID BRINDLE AND PETER RIDDELL

THE GOVERNMENT faces demands for a full House of Commons statement after a row last night provoked by the announcement of substantial pay rises for senior civil servants, top military officers and the judiciary.

Under the awards, recommended by Lord Plowden's Review Body on Top Salaries, the pay bill will rise in a full year by 13.2 per cent for senior civil servants, by 17.6 per cent for senior military officers and by 16.3 per cent for judges.

The awards will be delayed and phased to mitigate the effect in the present financial year. However, criticism was directed at some of the larger overall increases proposed by the review body to narrow the gap between the public and private sectors.

Among these, the most spectacular is a cumulative rise of more than 46 per cent in the salary of the Head of the Home Civil Service, presently Sir Robert Armstrong, taking the figure from £51,250 to £75,000 by next March.

Critics pointed to the fact that the *announcement came 24 hours after* the Government removed 500,000 young workers from the protection of wages councils which set minimum pay rates for the low paid. Mr Rodney Bickerstaffe, general secretary of the National Union of Public Employees, called the contrast "a staggering obscenity."

Also dismayed were local authority employers who are trying to persuade the teachers' unions to accept a pay rise of 6 per cent this year and 7.4 per cent in a full year. With the unions due to meet next Tuesday, the position was believed to be extremely delicate.

Because of the phasing of the top salary awards, the Prime Minister was able to put a relatively moderate gloss on the figures. She said the costs could be absorbed within existing public expenditure provisions and cash limits in 1985-86.

On the Government's calculations, the average increases this year will be: 5.1 per cent for senior civil servants, 7.3 per cent for senior officers in the armed forces and 7.1 per cent for the judiciary.

Mrs Thatcher said the Government accepted the view that the public service should offer a career pay structure which would attract people of high quality

Under the Government's arrangements for implementation, they will be paid in instalments: half or at least 5 per cent from July 1, with the balance from March 1 next year.

Saudi investors build up TI stake

By Martin Dickson

EVERED HOLDINGS, a small engineering company based near London, and a group of private Saudi Arabian investors, emerged yesterday as the unexpected holders of an 11.6 per cent stake in TI Group, the major UK engineering company that has been the subject of bid rumours for months.

Mr Raschid Abdullah, Evered's chairman, said the holding was a *"strategic investment."* *Asked if it* might be the prelude to a bid, he said: "We're very open-minded about the holding. The purpose is to make money for Evered and that is the overriding factor."

Mr Ronny Utiger, chairman of TI, said that he was "suspending judgment. I don't feel I know enough about their intentions," he said.

"Given the size of Evered and the progress we have made since the start of the year in putting our house in order, I find the whole thing difficult to get to the bottom of."

Evered said yesterday that it owned 4m TI shares itself – 6.73 per cent of the equity – while 10 other parties representing the interests of *various Saudi families held* the remaining 4.87 per cent.

The group is likely to have paid up to £20m for its holding. TI shares closed last night at 298p, up 10p on the day.

Japanese may make joint offer for Nissan car importer

BY KENNETH GOODING AND CARLA RAPOPORT

NISSAN, the second-largest Japanese car maker, is believed to be in talks with Mitsui, one of Japan's leading trading companies, about a joint offer for Nissan UK, the privately owned import company in Britain.

Nissan executives in Tokyo refused to comment yesterday. However, it is believed the two companies are planning to offer about Y50bn (£150m) for Nissan UK, which has a network of 430 dealers throughout Britain.

A Nissan executive said yesterday: "Nissan is working on reshaping and enhancing sales networks in the UK in advance of the local production of Nissan cars next year." He declined to elaborate.

Nissan will begin producing 24,000 units a year in Britain by next summer, which may rise to 100,000 units by 1990 if expansion plans go ahead.

The reported talks between Nissan and Mitsui have come as a surprise as Mitsui has traditionally been linked with Toyota in overseas markets, while Nissan has worked with Marubeni. Mitsui, however, is apparently anxious to increase its car sales network which is much smaller than Marubeni's.

According to reports in the Japanese press, Nissan will take a 51 per cent stake in Nissan UK, with Mitsui holding the balance.

Mr Octav Botnar, who built up Nissan (formerly Datsun) car sales in Britain until they accounted for about 6 per cent of the market, or 105,000 a year, since he acquired the import company in 1970, is on holiday and was not available for comment yesterday.

However, he has in the past made it quite clear he would be willing to sell to Nissan. "I would not let my personal feelings get in the way because I am sure that the transfer of the business to Nissan would be best for the employees and dealers," he has said.

Mr Botnar, now a West German citizen, is well into his 70s but still keeps tight control as chairman of Nissan UK. The latest accounts to be filed, for the year to July 31 1983, showed a net profit of £26m on sales of £382.4m compared with £27.3m on a £317.84m turnover the previous year.

Heseltine for star wars talks

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

MR MICHAEL HESELTINE, Defence Secretary, goes to Washington next week to try to hammer out with Mr Caspar Weinberger, the U.S. Defence Secretary, terms and conditions for British participation in the U.S. Strategic Defence Initiative – the star wars programme.

Mr Heseltine's visit, which follows discussion between U.S. and UK officials over the past few weeks, is officially described as setting the parameters for British participation in the $26bn programme.

Mrs Margaret Thatcher, the Prime Minister, announced in January that the Government supported SDI research, while it has been clear since the spring that the Government was interested in taking up the U.S. invitation to Europe to participate in the programme.

Mr Heseltine's specially convened meeting with Mr Weinberger to discuss British participation suggests that Britain will be the first European state to negotiate terms and conditions.

Earlier this week, efforts by the seven-nation Western European Union to co-ordinate views on European participation broke down over Anglo-French differences on the issue. France opposes SDI on technological and strategic grounds.

Officials from Britain, France, Germany, Italy and the Benelux states failed to agree a report on such co-ordination that had been commissioned by ministers last April.

A 108mph boost for fast track to Wales

By Anthony Moreton in Cardiff

BRITISH RAIL yesterday put all thoughts of huge losses behind it and did what it always says it can do best of all – run trains very fast.

Accompanied by the usual media circus that graces such events, it broke by a comfortable margin the speed record for a run between London's Paddington station and Cardiff, the Welsh capital.

A special train, commissioned by the Wales Tourist Board and the Welsh Development Agency and full of the sort of people, such as Japanese and West German businessmen, that both bodies would like to attract to Wales, covered the 145.1 miles in 80½ minutes, an average speed of 108mph. The run knocked 20 minutes off the previous best time.

That was the official time, although the man from Britain's National Railway Museum, whose figures are treated as gospel by Railway Magazine – the Bible of these things – timed it at 20 seconds *longer, which he said brought the* speed down to 107.5mph.

It failed by a shade, in any case, to match the fastest run in Britain, an average of 112.8mph for the 117½ miles between Paddington and Bristol's Temple Meads station, set a few years ago by a special train organised for a television programme.

But the run pleased the Welsh Development Agency which has been lobbying for some time for a non-stop flyer between London and Cardiff. It also pleased the tourist chiefs, even if their visitors were greeted with a typical downpour of Welsh rain.

It probably also pleased Isambard Brunel, too. If the great railway builder had not laid down the straight track 150 years ago the record could not have been attempted, let alone beaten.

The only person who seemed slightly puzzled by all the official announcements and railway buffs with their stopwatches was the man from the Bank of Tokyo, for whom it must have been small beer.

On Japan's bullet train, he is quite used to travelling the 385 miles between Tokyo and Osaka in three hours. That includes two stops, though he only mentioned that in passing.

U.S. takeover laws 'protect boards'

BY WALTER ELLIS AND RAYMOND HUGHES

U.S. TAKEOVER laws were designed to protect the board of the target company, not the stockholders. In the UK, shareholders were consulted throughout, and it was their decision which finally decided the issue.

That was the essential difference between U.S. and British law on takeovers, according to an American Bar Association seminar conducted yesterday by takeover experts from both sides of the Atlantic.

Mr John Huber, director of the corporate finance division of the Securities and Exchange Commission (SEC) in Washington, said U.S. boards had the right and the duty to protect the integrity of their enterprise.

Mr Marty Lipton, a leading New York company law attorney, said the U.S. system with its lack of shareholder control, did not require bidders to treat shareholders in the target company equally. Discriminatory or selective bids were considered perfectly acceptable and normal.

There was also the key question in the U.S. of economic viability. Company directors had to ask themselves if the target company – not just the shareholders – was well served by the bid.

Such considerations could, however, be in the interests of shareholders, because a successful resistance to a bid led by a board of directors frequently resulted in a rise in the share price of the company under attack.

In Britain, by contrast, London lawyer Mr Michael Pescod said, "victim" companies tended to run off to the City Panel on Takeovers and Mergers in the hope of a reference to the Monopolies and Mergers Commission.

"I spend a lot of my time in the boardrooms of UK target companies persuading frightened directors that it is the shareholders who own the company," Mr Pescod said.

Mr Peter Lee, a member of the Takeover Panel, said this had to be understood because in England the power was with the shareholders, not with the management. All shareholders, moreover, had to be treated equally, so that all benefited from the final bid price.

American Bar Association Conference

At other ABA meetings yesterday:

- Arbitrators were urged to adopt a more activist attitude in dealing with disputes to reduce delays in international commercial arbitrations.

U.S. Judge Howard M. Holtzmann, a member of the Iran-United States claims tribunal, said arbitrators should recognize that in complex international cases they had a responsibility for the pace of the proceedings.

An effective system of international commercial arbitration was important to aid world trade, and world trade was one of the building blocks of world peace, he said. For that reason the problem of arbitration delays had a significance beyond the concerns and costs of particular litigants.

- U.S. legal procedures for dealing with compensation claims by chemical pollution victims were compared unfavourably with the British system.

Mr David Higgins, a partner in City solicitors Herbert Smith & Co, said the English system struck a reasonable balance between justice for the few – in the shape of compensation – and justice for the many, in the shape of uninhibited economic activity.

Such a balance, Mr Higgins suggested, was not struck in the U.S., where there seemed to be such a plethora of claims – many of them unmeritorius – that the system was unable to cope.

The problem appeared to be procedural defects, he said. He cited the use of the contingency fee system, rather than a properly constituted legal aid system and the failure to allow attorneys' fees and disbursements to be awarded against the losing side.

Also, the liberal rules of discovery – governing the disclosure of relevant documents and evidence – allowed "fishing expeditions" to the point where "I can sue you and then you have to tell me why," he said.

Mr Michael Harvey, QC, said UK legislation had concentrated more on the anticipation and prevention of pollution problems than the compensation of victims.

There were voluntary agreements between government and trade associations for the disclosure of information about products, Mr Harvey said.

The trouble with such schemes was that they did not command public confidence, he said, particularly where information supplied by the industry was not made available to the public.

In the Food and Environment Protection Bill currently before parliament, that scheme was replaced by statutory requirements and the Government had given an assurance that more information would be made available to the public.

END OF A DISTINCTIVE BRAND OF BROADCASTING PHILOSOPHY

BBC comes to terms with its financial crisis

THE OLD BBC joke that when they play musical chairs at the coporation each time the music stops another chair is always added will have to be revised, writes Raymond Snoddy.

For the first time an organisation where redundancy has been an almost unheard of concept and staff numbers have grown inexorably over the years with the expansion of broadcasting, is contemplating losing up to 4,000 of the 25,500 staff financed from the licence fee.

The financial crisis which resulted from the recent award of a £58 colour television licence fee rather than the £65 asked for – a shortfall of £350m over three years – has not just resulted in painful decisions on employment. It also marks the end of a distinctive BBC brand of philosophy – some would say arrogance – that only things produced in-house by staff, whether studio, design, a new camera or a television programme, will be up to the BBC standard.

"The BBC has always taken a great pride in designing and manufacturing. Now in the contemporary world we don't need to do it as much as we used to. We can go out into the market and buy off the shelf," says Mr Alasdair Milne, the BBC director general.

One result of the changes announced on Wednesday will be that 1,000 engineering jobs are going, although the research and development effort will be enhanced.

The BBC will no longer manufacture such things as amplifiers and sound boards to its own specifications in its electronics factory in Chiswick, West London.

At the same time, a similar though less drastic change will overtake large numbers of the 7,000 people in the Corporation involved in programme production. The present 10 per cent of them on fixed-term contracts will rise to a minimum of 25 per cent, although programme budgets will not be cut.

The increased casualisation, the BBC says, is designed to increase the mobility of creative staff and recognises the arrival of Channel 4 and the independent production market it has created.

Mr Michael Checkland, the recently apppointed deputy director general, concedes that Mr Leon Brittan, the Home Secretary, thought that the £58 licence had provided an impetus for the fundamental changes now under way at the BBC.

"It certainly has been possible in previous licence negotiations to carry on. When you suddenly find that you have no provision for expansion for the next three years, with no money for development whatsoever, it provides a pretty good impetus," Mr Checkland said yesterday.

After the implications of the licence fee settlement were assessed, Mr Geoff Buck, the BBC director of finance, managed to balance the BBC budget over the next three years in the way it has always happened in the past – by slashing development and trimming across the range of the BBC's activities.

Then a number of senior BBC executives including Mr Buck and Mr Checkland began to wonder whether in the run up to the Peacock Committee (looking into future financing of the BBC) it was really a good idea to muddle through as the corporation always had done in the past. "Everyone we asked said they didn't want to muddle through," Mr Checkland said.

A four-man team, under the chairman of Mr Buck and including Mr Checkland, Mr David Hatch, controller of Radio 4, and Mr Geraint Stanley Jones, controller of BBC Wales, were given a month – 18 working days – to come up with an outline for the future of the BBC.

They toured every part of the organisation to question all the basic assumptions about what people were doing and why. The plan, designed to move people out of the central bureaucracy, go to the open market for services when it makes economic sense to do so and concentrate resources on programmes, came before the board of governors in a meeting last weekend.

After 15 hours of discussions the governors endorsed probably the most fundamental shake-up the corporation has ever undergone.

Sinclair's C5 faces fair trading probe

BY JOHN GRIFFITHS

THE C5 electric tricycle developed by Sir Clive Sinclair, the British high technology entrepreneur, has become the subject of an investigation by trading standards officers.

The investigation is the latest in a long string of setbacks for the £400 machine. The Advertising Standards Authority this week also confirmed an earlier draft judgment that some of Sinclair Vehicles' advertising was "misleading."

Mr John Taylor, chief trading standards officer for the London Borough of Brent, said yesterday that an investigation was "well advanced." It centres on Sinclair Vehicles' claim that the 15mph tricycle has a range of up to 20 miles on one charge of a single battery.

The Brent office has circulated trading standards offices in the rest of the country asking for details of complaints similar to those it is acting on. This is a common practice between the offices to avoid any possible duplication.

"We are confident the matter will be coming to court," said Mr Taylor. The inquiry is expected to be completed in the next few weeks.

The Advertising Standards Authority is also requiring Sinclair not to repeat some of its claims for the machine, on the grounds that they were exaggerated or unproven.

Potentially one of the biggest problems facing Sir Clive, who has sunk £7m of his own money into the venture, is a writ from Hoover, the domestic appliance maker, issued against Sir Clive personally, claiming £1.525m for work carried out on the vehicle at Hoover's Merthyr Tydfil, South Wales, washing machine plant where the C5 is assembled.

The writ was issued several weeks ago, but has yet to be served, perhaps indicating that Hoover itself is reluctant formally to initiate moves which could risk finally killing the venture off. Sir Clive himself has been on holiday in the U.S. since the beginning of last week, and is due to return at the weekend. In his absence, a Sinclair Vehicles spokesman said that, if served, the writ would be contested vigorously.

The company insists that production will continue at its current rate of 100 a week – 10 per cent of the originally envisaged first-year level – while plans to take the vehicle into export markets are finalised.

New techniques save up to 20% of production costs

Delta pulls the right wires

BY IAN RODGER

THE RECOVERY in Britain's basic metal-bashing industries in the past year has been encouraging, but the big question remains whether they still have the capacity and the energy for new growth.

Some companies may well have cut too much capacity and others may be unwilling to make the investments needed to maintain their competitiveness. But there are instances of companies taking a more positive view.

In the case of Delta, which has a wire and cable business based at Llanelli, South Wales, the decision was taken to increase wire-making capacity by 40 per cent.

Wire is about as basic a metal-bashing business as you can get. It starts with a bar of copper, which is then rolled into wire rod and ultimately into fine wire. The wire is then coated in plastic, before and/or after having been entwined with other wires to make telecommunications and electrical cables.

Delta is one of four vertically integrated producers in Britain, the others being BICC, Pirelli and GEC. They all have roughly equal shares in the overall cable market.

From Delta's viewpoint, this sector became a problem in the early 1980s. There was almost no growth in home demand and no chance of dislodging one of the other competitors. Meanwhile, imports of wire and cable from other European countries were taking an increasing share.

Mr Henry Lee, director of Delta's cables division, says annual wire imports doubled to 7,500 tonnes between 1980 and 1984 and now account for about a fifth of the free market.

Most of the 240,000 tonnes of wire consumed in the UK annually is produced internally by the integrated groups, leaving only a relatively small free, or open, market.

The group knew that the only way to get ahead of the importers was to invest in new plant to reduce its costs, but import substitution alone would not justify the investment. The directors then heard about a new wire packing process that might give the group enough of a cost edge to sell wire in export markets as well.

They also studied the state of the industry around Europe and concluded that there was an opportunity to steal a march on competitors with the new "reel-less" pack.

The wire industry has long been looking for an efficient method of packing wire that would enable it to dispense with the reusable standard steel reels. Reels are costly to the wire drawers and a nuisance to their customers.

The idea of a reel-less pack has been around for a long time. The principle is to wind the wire on to an expanding mandrel tightly enough *for the roll to retain its form* when the mandrel is removed. Previous methods were unsatisfactory because the wire became tangled when drawn off at high speed for cable making.

Based on the adoption of the reel-less pack, Delta decided in 1983 to go ahead with a £4.7m investment programme to modernise the wire and cable works in South Wales.

Mr Lee estimates that overall wire production costs will be reduced by between 15 and 20 per cent as a result of the investment. This, plus the benefits of the reel-less pack, will cut the cost of producing cable, making Delta more competitive in the home cable markets.

TECHNOLOGY

EDITED BY ALAN CANE

Users call the tune in contest over common standards for computing

Geoffrey Charlish examines a fresh view of the OSI debate

THE VIEW that common standards for linking computers and terminals from different makers — the "open systems interconnect" or OSI initiative — will soon be widely accepted is challenged by a recent report.

Those following the debate may feel the battle has been essentially between mostly major U.S. computer companies like IBM and DEC, with thousands of installations of their proprietary networks, and the official mostly European standards - making bodies supported by the smaller suppliers.

But according to the Butler Cox Foundation, a management consultancy specialising in information technology, the user community has yet to reach firm conclusions. For example, most of those already using a single proprietary network thought the majority of their interconnection worries had been taken care of. They believed the OSI initiative had little relevance to them.

However, just over half the user organisations interviewed supported the OSI initiative. They looked forward to the day when their choice of computer could be based on performance and fitness for the job rather than its ability to interwork with their existing systems.

Interworking is becoming increasingly important as more companies base their activities on computers, both within companies and between companies and their suppliers and customers.

They have three options. Some have accepted multi-standard communications, with interworking where necessary via conversion software. Others have universally adopted one proprietary solution, like IBM's systems network architecture (SNA), while a third group have decided to wait for the OSI standards to emerge from the International Standards Organisation (ISO).

Whatever the choice, Butler Cox points out that corporate networks are expensive to build and take a long time to implement. A long-term commitment to a particular network approach is necessary and the effects of decisions taken today could still be felt in 10 or 15 years' time.

The two existing approaches have various pros and cons. The multi-standard idea suffers from the fact that the number of user functions that can be achieved may be limited due to restrictions on the applications and databases that can be accessed by a particular terminal. The scope for sharing resources (computing power, bulk storage, printers) is often reduced, impairing the network if some crucial facility is not available.

The need to employ staff familiar with more than one approach can push up costs, as can the difficulty of allocating fault responsibility to a specific supplier.

According to the report, these problems have caused many organisations to drop the multi-standard idea and adopt a proprietary network — and the trend will continue.

But the drawbacks of the proprietary solution are well enough known: the user can become locked in to a specific supplier's products (and his prices), he usually cannot influence a large supplier's policies, and he might have obtained a better product elsewhere.

The main advantage of multi-standard working remains: the user is able to select the best supplier for specific parts of his system. The approach is particularly suitable for companies with decentralised operations, giving autonomous business units the freedom to instal the computer systems they want.

Although the report is careful not to come down in favour of any of the approaches, it provides an excellent appreciation of them, including an easily understood explanation of the ISO seven layer model for open systems interconnect.

It also indicates how far the European initiative has moved in producing useable standards.

Standards for the two lower levels exist and are approaching, or are at draft international stage for the other levels of the seven layer model. Butler Cox expects that electronic mail products will be the first to be based on the full seven layer model, becoming available this year or in 1986.

Mainstream data processing products should follow two years later. They will be proprietary networks based on OSI standards and OSI gateways between proprietary networks.

There is a good deal of support, in principle, for the OSI idea. In April, Butler Cox held a seminar at which 80 senior information managers debated the motion: "This house believes that OSI is a distraction." It was defeated by a substantial majority.

Even so, problems are identified. For example, an innovation product can be incorporated into a supplier's range more quickly than a standard can be developed and incorporated into hardware and software. Standards need international agreement, which is not easily reached if there are conflicting national interests. Suppliers, too, are likely to protect their own interests.

The report also dispels the idea that OSI-based products necessarily will be built to a standard.

It says: "There will always be difficulties in linking the different suppliers' versions.

But the report suggests that despite the present uncertainties, in the long term OSI will succeed simply because of the weight of backing from European governments.

Network Architectures for Interconnecting Systems; Butler Cox Foundation; 01-831 0101.

PROPRIETARY NETWORKING SYSTEMS

Supplier	Network Architecture
Burroughs	Burroughs Network Architecture (BNA)
Digital Equipment Corporation	Digital Network Architecture (DNA) (implemented as DECnet)
Hewlett-Packard	Distributed Systems Network (implemented as AdvancNet)
Honyewell/Bull	Distributed Systems Architecture (DSA)
IBM	System Network Architecture (SNA)
ICL	Information Processing Architecture (IPA)
Sperry	Distributed Communications Architecture (DCA)

Day robots will take humans for walkies...

JUST AS PUNDITS ten years ago were predicting, accurately as it turned out, that households would contain items that in corporate microprocessors, so now there are predictions that within a few years the home will have a number of small robots, one to mow the grass, one to vacuum the carpet and so on.

Richard Pawson, in his recently published Robot Book (Windward, £7.95) argues that the true general purpose house-house robot will probably never exist.

The robot industry today is selling devices which it claims can act as a watchdog for burglars, vacuum the carpet or fetch a beer from the fridge.

Mr Pawson writes: "Even if these applications do appeal to you, they are actually quite impractical using current technology."

"The robot arm might be able to carry a can of beer, but it certainly could not cope with most fridge doors."

But he sees a sound future for robot pets: "Within five years," he claims, "robot pets will be widespread. They will not need housetraining, but they could be programmed to need exercise, to encourage children or the elderly to get out of doors."

Mr Pawson's book is lavishly illustrated and is more of a pictorial introduction to the robotics field than an academic text. But it does have useful sections on the way robots work and their interaction with computer systems.

The book shows there is little new in the world of robots. In the eighteenth century, Jacques Vaucanson anticipated the notion of robot pets by developing a mechanical duck which could take in grain, digest and excrete it.

Making waves with microwave guides

BY PETER MARSH

MICROWAVE guides—small pieces of metal which are constructed rather like chunks of Gruyere cheese—are playing an important part in a range of applications from relaying satellite messages to unscrambling radar images.

The components filter or merge microwaves—electromagnetic radiation with a frequency between 1GHz and 20 GHz that features in satellite communications and military systems.

The pieces of metal, which can cost between £30 and £30,000, contain networks of tubes and cavities through which the waves propagate. They rely for their performance on the shape and layout of the cavities and thesize and positioning of physical stops and screws which channel the waves in different directions.

Two companies stepping up development in Britain of microwave guides are Com Dev, a Canadian enterprise which earlier this year set up a UK subsidiary, and Filtronic Components, based in Shipley, Yorkshire.

COM DEV

Com Dev, which employs 220 people in Cambridge, Ontario, and has annual sales of C$21m, specialises in microwave components for communications satellites.

The company, whose UK subsidiary is in Tring, Hertfordshire, has supplied microwave devices to the makers of 34 satellites in orbit. Customers include giants of the U.S. aerospace industry such as Ford, Hughes and RCA.

The main job of microwave components for satellites is to act as a bridge between the amplifiers on the vehicles that boost the power of radio signals and the antennas that receive signals from ground stations and retransmit them.

In the input stage to the satellite, the devices merge, or multiplex, signals of different frequencies transmitted by separate channels from the Earth station. This facilitates the amplification or processing of the signals by other equipment on the satellite.

In the transmission stage on a space vehicle, the microwave components filter out signals of all but a specific frequency so that the radio waves can be received by an antenna on Earth tuned to that particular part of spectrum.

Com Dev is supplying microwave equipment that will feature on the European Space Agency's Olympus satellites. British Aerospace is the main contractor for this programme.

It is also providing hardware to Selenia of Italy (for Italy's national telecommunications satellite) and to Dornier of West Germany, which is building an ESA remote-sensing satellite due to be launched in the late 1980s.

Initially the British subsidiary will aim simply to design components for specific satellite applications, leaving manufacture either to the Canadian parent company or to sub-contractors.

Production of microwave components is a precise activity, requiring techniques such as computerised machining to define small incisions (of perhaps 20 micrometres in dimensions) in a metal block.

The devices are often designed with the help of computers. For many satellite applications, the microwave components must be custom built to meet the specific requirements of the space vehicle.

The managing director of Com Dev's British subsidiary is Mr Bernard Eddleston, formerly head of the Olympus programme at British Aerospace. Technical director is Mr Richard Cameron, who previously worked for the European Space Agency.

Filtronic Components was established by Professor David Rhodes of Leeds University, who remains at that institution while holding the post of technical director of the company. It has annual sales of £1.5m and a staff of 80.

The British company sells microwave components mainly to the telecommunications and defence industries. For instance, it is supplying devices that fit inside telephone handsets for the transmission and reception of cellular radio.

Another application is in deciphering complex patterns of microwave signals, which

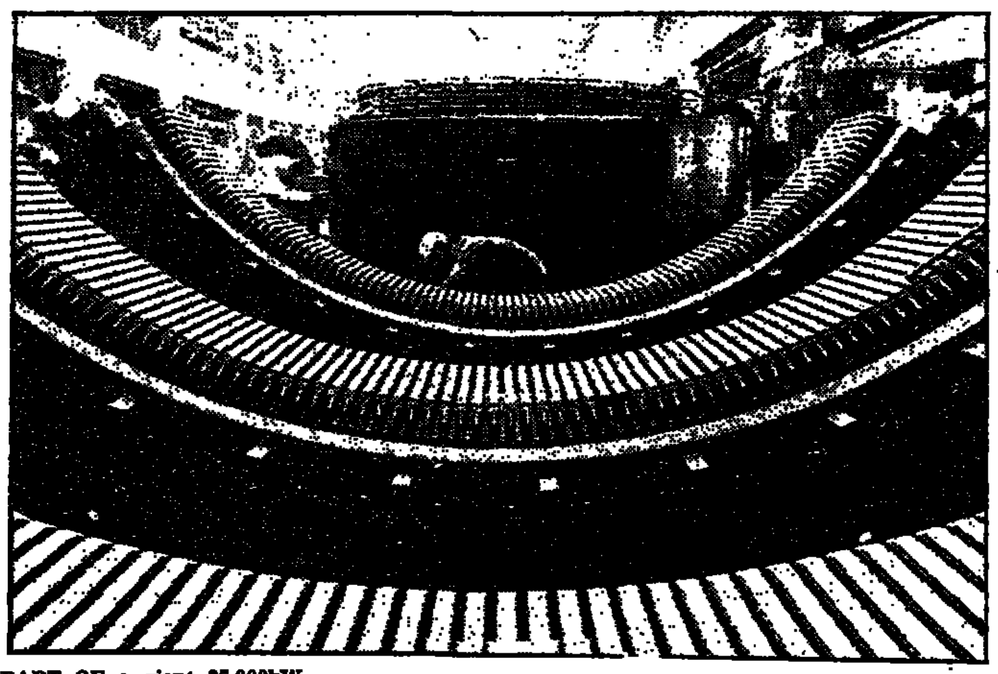
COM DEV

emanate, for example, from equipment that picks out the movement of aircraft or spacecraft with radar.

Besides selling the conventional form of microwave devices, Filtronic Components is also developing a relatively new kind of component called a suspended strip-line substrate.

This consists of a printed-circuit board sandwiched in an aluminium box with a layer of air either side. Tracks are etched onto the surface of the board.

Combinations of waves can be filtered by passing them through the box. The exact route of the signals through the system depends on the dimensions of the tracks and the sizes of the various layers in the box.



PART OF a giant 35,000kW generator being made by Siemens in Berlin for a hydro-electric power station near Mandalay in central Burma.

Each of the two eight-metre diameter generators weighing 170 tonnes has to be transported 600km overland in parts before assembly on site.

The plant will help improve irrigation in the area.

New link-up for factory automation

ZEHNTEL, the U.S.-based company that makes testers for printed circuit boards, is gradually increasing the range of interfaces it offers to allow connection of its machines to computer aided design systems.

The connection of testing to designing is an example of the linking of the so called "islands" of automation in factories. In this case, since the test connection data is already contained in the CAD computer files, it makes sense to feed it to the test equipment.

Much money can be saved. The link eliminates the need to re-enter the important information used to design a printed circuit board in order to develop the test program.

Interfaces now exist for the CAD systems made by Valid Logic, Scientific Calculations, Computervision and DA Systems.

The interfaces translate data from the CAD equipment into a form that can be accepted by the Zehntel ATE system. Transmission can be over lines or via tape. More on 0908 606655.

Software for conveyancing

SOFTWARE from Financial and Corporate Modelling Consultants of London will fully automate property conveyancing on an IBM personal computer or any compatible machine.

Called Conveyancing Processor, it is an expert system able to deal with various circumstances that might arise.

The system is basically a word processor but it will ellicit facts and act upon them when necessary. It also holds all the dates by which the stages of the conveyancing should be complete, issuing reminders to ensure that deadlines will be kept and keeping clients informed.

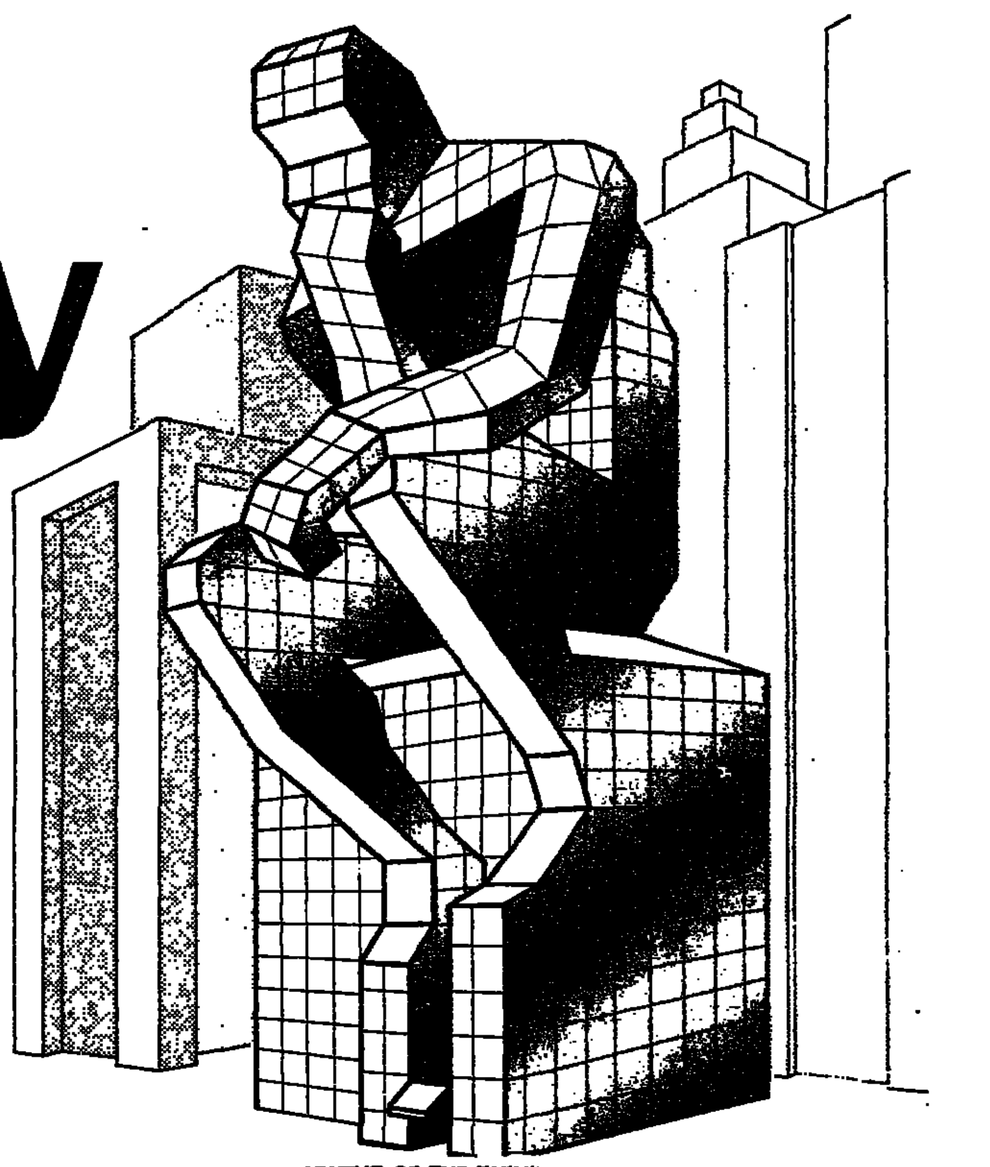
Documents held in Conveyancing Processor includes letters, forms, notes and automatically calculated completion statements with bills of costs. Reports can be displayed on the screen or printed out.

F and CMC claims the software is suitable for any size of practice. It costs £1,500 and will later be available for Unix-based machines. More 01-262 1021.

FINANCIAL TIMES SURVEY
Friday July 19 1985

Office Property

Returns are rising faster than inflation for the first time since 1979, as growth in high-tech occupiers and financial services feeds a selective revival in demand for quality floorspace



ADVENT OF THE THINKING BUILDING
Modern blocks do much of the tenants' thinking for them, with computer control of lights, lifts, heating and security. Thoughtful contributions also come from efficient furnishings, flexible spaces and underfloor cable services.

Image courtesy of equipment manufacturer Steelcase Strafor

Office Rent Growth

	Index (June 1977=100)	Over the past 12 months %	PA compound since June 1977 %
City	201	6.0	9.1
West End	230	8.7	11.0
Suburban London	203	2.7	9.3
South East Provincial	245	6.9	11.86
South East	230	6.9	11.0
South West	242	13.7	11.7
East Anglia	223	8.8	10.5
West Midlands	234	3.8	10.3
East Midlands	201	14.2	9.1
North West	220	6.7	10.4
North	180	0.0	7.6
Yorkshire & Humberside	199	7.2	9.0
Wales ...	186	2.8	8.1
Scotland	210	7.5	9.7
Office Rent Index	226	8.4	10.7
Retail Price Index	205	6.9	9.4

Source: Healey and Baker PRIME report

Recovery boosts rents

By William Cochrane

THERE HAS been a demand-led recovery in the UK office property market over the past year or so and rents, for the first time since 1979, have grown faster than the rate of inflation.

These rose by 6.8 per cent in the year to June compared with a 5.4 per cent increase in retail prices, according to the annual survey of 40 office centres by agents Debenham Tewson & Chinnocks.

"This growth is spread over 31 centres compared with 21 in 1984 and only 18 in 1983," they said. "While this indicates a more widespread pattern, certain blackspots remain; some inner London boroughs continue to experience depressed conditions as do most northern centres and the East Midlands."

The rise in rents partly reflects the selective recovery in the economy which has been concentrated on the service sector.

"Using employment as a measure of economic activity, it is evident that office-based activities such as business services, banking, insurance and professional services have suffered least in the recession and have moved into an expansionary position earlier than production activities," says the report.

Jones Lang Wootton, another leading firm of agents, said in a study of 50 centres over the 18 months to March 1985 that banking and finance, insurance and business services had accounted for 42 per cent of office take-up in terms of units and 39 per cent of floorspace.

Mr Ian Thurman, senior analyst with JLW Research, went deeper, saying the trend illustrated the importance of high technology occupiers.

This group, including the office machinery, data processing equipment, electronic and electrical engineering sectors, accounted for up to 15 per cent of units and 18 per cent of floorspace taken. Transport also showed some strength, absorbing 25 per cent of floorspace taken outside the south-east. But public administration and other services, were affected by control of public expenditure, taking 10 per cent of the floorspace in the 50 centres, and only 8 per cent of floorspace throughout the south-east.

The recovery, then, is selective—and so are the occupiers. Whether in Glasgow, Southampton or central London, there is strong demand for new, well-appointed buildings while second-hand or basically-equipped space has met with resistance from potential tenants.

The market has evolved into a two-tier structure where prime accommodation is letting rapidly and records strong rental growth, while rents for poorer space are stagnant. And this space can overhang the market, for several years, according to DT & C.

Changes in the industrial property market evident over the past two or three years, are making their impact on offices, says Mr Ian Campbell of agents Campbell Gordon.

"Office occupiers are beginning to divide into two categories, those who must be in the town centres to operate efficiently, and those who do not," he says. "It is likely that the financial, professional services and similar sectors will remain in the town centres.

Professor Mitchell Moss of New York University, gave one reason for this at a conference in London on the impact of information technologies on land use and development.

Large cities served by long-distance fibre-optic networks would be strengthened by developments in telecommunications, he said. The ability of small outlying areas to attract businesses would weaken.

Prof George Lefco, of the University of Southern California Law Center, said: "The banks and securities houses are likely to stay in the cities along with their handmaidens like the accountants and the lawyers.

But he added that U.S. population growth is taking place outside town centres "and development is following that trend."

Mr Campbell also says some production rather than service companies looking for office accommodation find diminishing attractions in established central area.

"These companies are finding that combining their administrative and training requirements with their production, assembly and storage functions into one location has operational attractions and productivity spin-offs," he says. "Hence the interest of such organisations in buildings which are now generally called—misleadingly—high-tech space."

Companies can occupy large amounts of accommodation for administrative and associated uses, as well as production or assembly at an average rent which compares favourably with town centre blocks suitable solely for offices.

London's Great West Road (A40) has many developments of this sort from an earlier age, which went out of fashion in the 1960s. It remains to be seen if the present fashion will last.

Headlines in the office property field this year, however, have mainly concentrated on the City of London. The City Corporation produced a conservationist draft local plan which was attacked by many property professionals. Developers, meanwhile got on with their plans for big, buildings on the City fringe.

One of the biggest—certainly the most peripheral—extension to the City has been proposed for Canary Wharf in the Isle of Dogs, the London Docklands enterprise zone. This involves £1.5bn proposal to develop the wharf with between 4m and 8m sq ft of offices.

It took a consortium of international banks and an American developer First Boston Real Estate to make such radical proposals. But developers, occupiers and some institutions are beginning to see that to get the right buildings they might be wasting time waiting for the proponents of the conventional approach.

For some years office developers have been bemoaning the lack of institutional capacity to fund buildings costing £20m or over. A typical 200,000 sq ft development in the City could now cost between £50m and £60m or more. There are not many funds prepared to stump up.

Suggestions are now emerging for using syndication, unitisation and incorporation — the single asset public property company—to split funding between a number of sources. A Royal Institution of Chartered Surveyors group has studied single property unit trusts.

Solution

Some schemes are beginning to evolve, such as Sir Jeffrey Sterling's P & O Group partnership with Stockley in the redevelopment or refurbishment of Beaufort House, P & O's old headquarters, at Aldgate on the City's eastern fringe.

Unitisation can be a solution to buildings which cannot be started for lack of conventional fundings. It may increase the number of building options for sites.

Mr Patrick Scott, who heads the Woolgate Finance team which has just spun off from Chase Manhattan, says most good development schemes will find some kind of funding. Unitisation will maximise the profit to the developer.

Office Property 2

Rising demand for quality space

West End

DAVID LAWSON

IMPROVING confidence in the service sector in 1984 began to pull the office market in London's West End out of a couple of stagnant years for take-up and rental growth. This has continued through the first half of 1985, with rent levels climbing in many parts of this fragmented market.

Almost 2m sq ft of space has been let, sold or gone under offer in the five months to May, according to agents Debenham Tewson and Chinnocks, providing a slightly higher monthly average than the 398,000 sq ft for the whole of 1984. But there is still a big pool of more than 3m sq ft of space available after a similar amount of space came on the market as was let.

Annual rent growth has reached 8.7 per cent, a 5 per cent jump on last year, say agents Healy and Baker but global figures can hide wide variations in fortunes.

At one end of the spectrum Mayfair and St James's offer relatively little new space, and heavy demand has led to a big boost in rents. At the other extreme, Victoria is still awash with vacant space and poor buildings are almost unlettable. But even here there has still been an increase of demand for better quality space.

Take-up in Mayfair and St James's increased last year by more than 15 per cent to 1.2m sq ft and supply of available space fell by a fifth. The trend has continued strongly in 1985, says Mr Philip Dawe of Richard Ellis, pushing average top rents in Mayfair to almost £25 a sq ft. and in St James's above £25.

Top levels touch £30 with deals completed such as Citibank's 15,000 sq ft acquisition in Berkeley Square at about £28 and the same amount paid by J. Walter Thompson for a new building in Farm Street.

There are few prospects for development other than refurbishments in this part of the West End, and much property is tied up in the hands of big estates like Grosvenor and BP Trust. A scheme like Legal & General's 200,000 sq ft Lansdowne House on Berkeley Square is an almost unique exception, and will provide the owner with rents well over £30 when it is ready in 1988. London and Leeds is already seeking close to £30 for its 50,000 sq ft at 100 Piccadilly.

Their fortunes will compare oddly with the 150,000 sq ft Devonshire House refurbishment by Land Securities on Piccadilly, which caught the market wrongly and had to be let in floors rather than to the retarded single tenants. But most of this space is now gone at rents around £20 a sq ft.

This unrelieved pressure of demand should see spill-over into the area north of Oxford Street and into Holborn, where Mr Gerald Wiseman, of Erdmans, forecasts top rents of £20 and £18 a sq ft respectively. Professionals are finding this an attractive alternative to Mayfair, and saves them having to take unsatisfactory space which tenants in general are refusing to put up with for the sake of the right address.

Soho is also benefiting from this spillover, with particular demand from publishers, estate agents and service companies. Cemp Properties' letting of its 48,500 sq ft St Lawrence House to a publisher after almost two years of frustration indicated a turn in the market.

The Crown Estates' 45,000 sq ft mixed development on Oxford Street/Wardour Street is also riding the crest, almost completely let at average rents of £17.25 a sq ft, according to Drivers Jonas, mainly to publishing and media tenants.

High standards of servicing were built in by project managers Capital & Counties, including computer-controlled lighting and high energy efficiency. This sort of quality is becoming almost mandatory to attract tenants, even in high demand areas.

Covent Garden and The Strand have developed a momentum based on the attraction of smaller tenants to the invigorated area around the piazza and financial/energy buisinesses to larger buildings.

Doubt

Mr Bill Monk, of Jones Lang Wootton, says The Strand has become an accepted financial location. Citibank's acquisition of the 50,000 sq ft developed by London & Leeds from part of the Savoy Hotel seems to confirm this belief, as does the interest being shown by a bank in the 50,000 sq ft being created out of the fire-prone Civil Service store.

But there is still some doubt in the market whether the City is ready to spill into an area so far from traditional locations.

Record rents were claimed for Savoy Court, but few details confirmed about any concessions. But neither were they in the £20-plus levels when the Adelphi was let at more than £20 a sq ft to Phillips and 23,500 sq ft taken by Enterprise Oil in Griffin House at more than £19. Time will tell whether the 42,000 sq ft being offered by the unfinished Strand Central development next door at £23 a sq ft is taken up to clarify rental growth in this growing energy sector.

Victoria remains a problem area, with its big pool of available space. About 750,000 sq ft was taken off the market last year. but this still left about 15 per cent of the 8m sq ft stock available. And much of the space removed was through companies like BP Chemicals deciding not to relocate because they would find it difficult to assign older space in this buyers' market.

Blue Circle found this problem with space in Portland House, released by Phillips' move to the Adelphi and surplus to Blue Circle's needs with its relocation to Aldermaston. Herring Son & Daw, who took six floors for Humphreys & Glasgow at £15 a sq ft won three-year break clauses and say this reflects the surplus of second-class space and weakness of landlords. This is a harsh judgment for Blue Circle, which has spent considerable time and money refurbishing the space to modern standards and just let another 33,000 sq ft to American Express.

All is not completely black however. "Rents are static in Victoria but there is demand," according to Mr Dawe of Richard Ellis. "There will be significant lettings in the next six to nine months although they will make only a dent in the supply."

Others like Mr Monk and Mr Wiseman also see hope for the area, although it appears that a two-tier market will dominate, with poorer space hard to let even at rents around £12-£14 a sq ft.

High-quality space may prove more successful, although the 200,000 sq ft Victoria Plaza has just picked up a 20,000 sq ft tenant at just under £20 a sq ft, which is a retreat from the initial asking rent of £22 and insistence on a single tenant for the whole building. The 70,000 sq ft Sovereign House, taken over from European Ferries by Stockley, has also seen asking rents cut from £23 to £17.75 a sq ft.

Some investors continue to take a confident long view that Victoria will remain attractive to tenants, however. Sun Alliance has announced a start on 50,000 sq ft on Allington Street, some 50 yards from the rail station, and Land Securities has asked planners for permission to develop 170,000 sq ft just south of Victoria Street.

And the Government, the major tenant in the area, seems to be continuing to exercise its insatiable appetite for space in spite of supposed spending cuts. The Audit Office took a big chunk of space in acquiring the Victoria air terminal last year and the Post Office moved into Britsh Steel House. With appetites like these, Victoria will not stand still.

Rising rent averages hide some stagnant pools

Vibrant south outshines regions

Provinces/M25

DAVID LAWSON

REVIVAL OF demand has penetrated a little way into the gloom hanging over office markets in the UK's provincial towns and cities. But the clouds are so heavy, particularly in regions of highest unemployment, that development has all but ground to a halt and investment prospects remain poor.

Apart for the occasional business park, new town or special growth zone, investors and developers are continuing to favour the buoyant areas of the south which have proved so attractive to expanding modern industries because of better communications and environment.

Rent levels have improved in the last year according to the Debenham Tewson & Chinnocks annual survey, increasing by an average of 7.5 per cent compared with 4 and 4.4 per cent in each of the previous two years. This looks impressive compared with the 6.3 per cent London increase and beat the 5.4 per cent rise in retail prices. But the average hides a number of stagnant areas (Hull, Leeds, Leicester and Sheffield) among more vibrant markets.

Over the longer period, the picture looks even more bleak, with only five centres in the 25 surveyed showing rental growth near or above the average 6.7 per cent annual inflation rate since 1981. Bristol, Glasgow and Manchester were well above this crucial mark and Birmingham and Nottingham just below.

At first sight it seems paradoxical that Liverpool and Sheffield are the only centres to show real rent increases since 1973—both around 14 per cent—when the former has just seen its first increase since 1980 and the latter's rents have been static since 1981. But this is an indicator of the change in market preferences in that time, with the movement of activity south or into the main Scottish cities.

There is room for disagreement within this scenario, particularly when leading national firms of surveyors quote widely different prime rent levels for their calculations of growth. In Leeds, for instance, Mr David Richardson of Weatherall Hollis & Gale points out that a rent boost is due because almost 200,000 sq ft of office space has been taken in the last six months and less than 300,000 sq ft is left to meet continuing demand.

Evidence of quite large rent increases such as 14.2 per cent in the East Midlands and 7.5 per cent in Scotland also comes from Healey & Baker, one of the largest agents. But the broad conclusion of a movement of activity and growth southwards is inescapable.

That movement seems likely to continue. There are "bright spots" of demand around the provinces, according to Mr Don Gregory of Hillier Parker, but rents have not reached the threshold in most centres of £7 to £7.50 a square foot to make development viable (except on historic site values).

Relocation of companies away from the high costs of the south-east also seems an unlikely saviour. Most movers have stayed within striking distance of London, particularly since the M25 has made centres around the capital more accessible. Moving costs and problems of finding jobs for workers' spouses more than compensate for lower rents, according to Mr Ian Dodwell of Weatherall Green & Smith. So there will be no repeat of the diaspora of the 1960s.

It is the M25 which is dominating the so-called "provincial" market, as the booming centres west of London it is benefiting like Windsor and Reading to fall into this category. Demand for higher-quality space and a better environment for staff has seen new and relocating companies leapfrogging London's traditional suburban business centres into towns like Redhill, where Norwich Union has just let 140,000 sq ft to Lombard North Central at £13 a square foot.

Mr Dodwell says this will become the benchmark level in the market and foresees a rent plateau of £12 to £15 in the short term around the west London fringes.

Investment opportunities would have to be found by spotting opportunities for extra performance, such as regeneration of some older London suburbs or in towns north and east of the capital where rents are still much lower than in Surrey and Sussex.

The impact of the M25 is one reason for the 11.86 per cent average growth in rents in the outer London suburbs over the last eight years—the highest in the UK according to Healey & Baker—although this growth has slowed to 7 per cent in the last six months.

This booming region is not without its problems. The creation of so much high-quality space has raised expectations in tenants and anything built below these standards will be difficult to let or down-valued in investment portfolios.

Some developers might be better off putting their money into higher-quality schemes in provincial areas where land prices are lower than shaving standards to compensate for soaring site values around the M25.

Average High-tech/ Out-of-Town Rents

£ per sq ft	Mixed use*	Campus/ country house†
Birmingham	3.25	5.50
Bristol	4.50	6.50
Cardiff	3.25	4.50
Cambridge	6.00	6.75
Colchester	4.50	4.00
E. Berkshire	8.00	12.50
Edinburgh	3.00	—
M25 (SW)	7.00	11.00
M25 (W)	8.0	12.50
M25 (NW)	6.00	10.00
M25 (NE)	4.50	6.50
M25 (SE)	5.00	7.00
London EZ	7.50	8.50
Milton Keynes	5.50	8.50
Norwich	3.75	4.00
Oxford	4.75	6.50
S. Hampshire	4.50	6.00
Swindon	5.25	7.00
Manchester	3.50	6.00
Leeds	3.25	4.50
Northampton	3.50	4.75
Bedford	3.00	4.75

*Class III with up to 50 per cent ancillary office
†Class II with ancillary uses

Source: Healey and Baker PRIME Report

WILLIAM COCHRANE spotlights three provincial developments

Successful recipe for Cook

NINETEEN companies new to Peterborough occupy offices on sites provided by the new town's development corporation. One of the most significant inward moves was of Thomas Cook, the largest international travel organisation in the world.

Cook's previous building, leased premises at Berkeley Street, in London's West End, needed substantial and expensive modernisation. Space was inadequate for a growing business and new computer system could be accomodated only with great difficulty. Westminster rates were high and rising.

During 1972 and 1973 the company undertook a detailed review of 11 possible locations. Peterborough was chosen for its expanding business environment, opportunities for recruitment, plentiful housing, an attractive site; and suitable temporary premises for a phased move.

It chose a site which gave room for parking, expansion, a club house, and space for sports. Cook assigned two directors as project managers almost full time, and brought in Peat Marwick Mitchell as project co-ordinator.

After concluding negotiations for the 21-acre site in early 1974, Cook was occupying the building by 1977.

Since then staff turnover has dropped to about 16 per cent a year from 40 per cent in London and there has been a steady improvement in productivity of 8 to 10 per cent a year.

Among the lessons it has learned is that open-plan offices have not proved universally popular. "However, this must be balanced by the ease with which the many changes in location and layout have been achieved to meet the requirements of a modern office," it says.

It has been impossible to quantify the value of such gains as the big reduction in staff turnover or the ease of recruitment.

But it has saved about £1m a year on rates, about £1.25m a year on staff costs by eliminating London allowances. The saving on building and maintaining freehold premises rather than renting is about £1.5m a year, even allowing for the cost of funding, giving a total, measurable saving of £3.75m a year.

Smart way to sort out a site

WESTERGATE, DCI / Lilley's 140,000 sq ft development on Argyle Street, Wellington Street and Hope Street, south of Glasgow's traditional prime office pitch, is ready for occupation.

It took a couple of years to sort out problems on the site, which was previously spurned by developers. DCI and Lilley made the best of it and created a "smart" building to let at £7.50 a sq ft in a city where office rents are topping £8.

Electronics control the management of the building and revolutionise the way information and communications are handled, the developers say. Messages can be sent between internal or outside data bases, provision has been made for satellite links and a raised floor allows total flexibility in the way cables are run.

Suspended ceilings accommodate low-energy, high-output recessed fittings, saving up to an estimated 50 per cent of energy costs. Through links to daylight-sensitive photoelectric cells which control lighting and avoid unnecessary use. Infrared controls allow extra light to be switched on in a particular area.

Heating, ventilation and air filter equipment are also housed in the ceilings with microprocessors controlling each six-metre section. Excess heat and dust can be drawn from a computer room while staff are taking tea in a warm room next door.

Sensors on every floor feed information to centralised computers which monitor heating, lighting, ventilation, lift operations, fire alarms and security 24 hours a day.

Safety and security is maintained through cameras, and light-beam barriers in vulnerable areas. In a central control room, TV screens monitor common areas.

A print-out gives a written record of services in use, breakdown, sewage control, lift position, unauthorised entry and who is using the car park. There is even heating under the surface of the car park ramp, in case it is iced up.

Breaking rules can prove a winner

NEW TOWN development corporations can break a lot of the rules imposed by institutional investors on property development.

For instance, Basildon Development Corporation, in Essex, built a 70,000-sq-ft speculative office block on top of the Eastgate Shopping Centre. Mixed developments are not liked by institutions, as one use limits access to the other.

Much of the construction period from 1981 also covered a recession in the office relocation market. Yet the corporation has come out smelling of roses.

Commercial Union came on the scene early in 1982 before the corporation had taken on Clive Lewis & Partners as letting agents or any marketing had been done.

Negotiations were protracted, partly because CU did not at that stage want so much space. However, its requirements in Basildon have increased over the past three years and the company will now occupy around 52,000 sq ft of the renamed Commercial Union House, the remainder being available for sub-letting.

Obituary for core may be premature

City of London

DAVID LAWSON

LIKE ECHOES through a time warp, reverberations from the City of London's "big bang" have been bouncing around the office property market more than a year before the starting gun is actually fired.

With the City core going through a strangely quiet period last year, because of banking and general economic problems, it was inevitable that the activities of the first financial conglomerates to set up as primary dealers would hold the market's attention.

A few developers had jumped on the bandwagon early, starting some enormous buildings outside the traditional core areas of the City. Early scorn over their presumption turned to astonishment when many of the best ones were gobbled up by the new conglomerates at unprecedented rent levels.

The City's new giants demand vast buildings—between 200,000 and 350,000 sq ft according to one agent—to provide vast dealing floors, flexible internal servicing so they can constantly switch around operations, and underfloor space for the cabling, which serves batteries of electronic equipment.

The poor old City core, always considered the automatic location for financial dealers, cannot provide such space. Nor will it be able to in future if the conservationist dictation of the proposed City plan is accepted.

So the City "fringes" have appeared to be the new action areas, a couple of years after being dismissed as pipedreams, wallowing in empty space.

But with the fervour shown by most critics turned to converts, some champions of the fringes show a tendency to overreach themselves. Certainly there is a powerful trend towards big, high-tech buildings outside the traditional locations, but not all the borders of the City appear equally as promising and the demand for large space may not be as insatiable as some suggest.

Nor is the City core dead. Banking problems are easing and space in prime locations that has hung on the market for a long time has started to let, according to Alan Froggatt of Richard Ellis. He expects growth in prime rents to reach 10 or 15 per cent this year compared with only 4 per cent in 1984, and the average has already reached £33 a sq ft.

It could be argued that multi-letting and rents on relatively small buildings are no longer accurate indicators to the health and future of the city when such big new financial groups are the main players in the game.

One of the "champions of the fringes," agents Baker Harris Saunders goes as far as to say that rents on the periphery—already soaring in places to £26 a sq ft—will equalise with the core as modern tenants lean more to quality of buildings rather than the traditional addresses. They predict a twilight zone of older buildings in the centre where rents have to be reduced to attract smaller tenants.

Gloom

Arguments about where demand is concentrated might seem irrelevant outside the narrow world of property investment. Yet property companies, insurance groups and pension funds own about half the City according to a study by agents Savills, and how the relative values of their portfolios perform has a direct effect on share prices and bonus payments.

At least five international financial institutions will relocate headquarters to the Continent or Far East unless the City plan is revised, say agents Herring Son and Daw. And the profitability of 10 UK organisations frustrated in their search for single buildings of 150,000 and 200,000 sq ft on the City fringes will suffer.

This sort of alarm springs from the juxtaposition of between 30 and 40 primary dealing groups being set up for the "big bang" next year but not a single new building of more than 50,000 sq ft available this year and only 350,000 sq ft of new space available in total, compared with 2m sq ft let in this category in 1984, according to Baker Harris Saunders.

This is why there has been a rush for buildings around the northern fringe of the banking area, like the Finsbury Avenue development, by brokers and banks. The refurbished Triton Court, once considered too far from the centre is suddenly three-quarters full at rents which have risen to £21.75 a sq ft, and even the Liverpool Street development has seen almost half the 1m sq ft of planned space reserved by Security Pacific/Hoare Govett and American Express/Messel before it is started, at rents likely to be up to £27 a sq ft.

But George Gillon and Alan Froggatt of Richard Ellis are more sanguine about how strong this wave of pressure is—and how long it will last. They point out that probably half a dozen at least of the financial conglomerates are left in the market for 100,000 sq ft-plus buildings, and some may not survive for long after the "big bang."

"It is possible that there are too many players in the new financial market," they say. "It may settle at about a dozen."

So, after the marriages, may come the divorces, which makes continuing pressure for these sorts of building from this sector less certain.

There will also be a surge of new space available in the fringes and outer core of the City, yielding about 3m sq ft a year in 1986 and 1987, Baker Harris Saunders say. Peter Hill of Debenham Tewson & Chinnocks calculates that about 30 buildings of 100,000 sq ft or more will be available in the City as a whole by 1988.

This does not necessarily mean a surplus everywhere. In spite of the diminishing importance of traditional locations, City tenants still have a preference for particular areas, as shown by the movement northwards in EC2, with its easy access to the Bank of England and the Stock Exchange, according to Roger Parsons of Knight Frank & Rutley.

So such schemes as the 250,000 sq ft Ropemaker Centre bought from BP by Norwich Union and London & Metropolitan for redevelopment should be pre-let before the 1987 completion.

On the other hand other fringe locations like the South Bank may find it harder to attract City institutions. Rodney Petty of Weatherall Green & [...] there have been no big lettings announced in the 1m sq ft first phase of the London Bridge City development, perhaps because of the psychological barrier of crossing the river away from the City.

Baker Harris Saunders, as joint letting agents with Jones Lang Wootton, would disagree with such gloom in their predictions of continuing demand from the banks throughout this decade. But big institutions are not the whole market in any case, as Chesterfield Properties and Lovells may prove if Price Waterhouse decides to take up half the 130,000 sq ft New City Court next to London Bridge station, being quoted by Erdman and Herring Son & Daw at £20 a sq ft.

Question marks hang over other fringes too. Mr Parsons and Mr Petty question whether the eastern sector will see much more movement since the insurance companies have done their relocation.

A whole clutch of developers beaten by Guinness Peat Berisford and McAlpine for the chance to build 185,000 sq ft on the Minories seem more confident. So do Credit Suisse First Boston and Morgan Grenfell in the possibility of an 800,000 sq ft banking centre even further east in Docklands.

The fragility of prediction is nowhere clearer than in the two extremes of the northern city fringe and Docklands. The first was called a disaster area for property investment three years ago and now revels in growth.

At the same time as the north fringe was being written off, a banking revolution was being predicted when Standard Chartered Bank examined the possibility of moving to Docklands; it is now developing in the City, although it cannot accommodate its international operations and is still exploring possibilities in the Isle of Dogs.

Citibank made the same trip east a year ago but is now said to want the old Billingsgate market on the southern City fringe. Credit Suisse could yet tread the same path.

Even the blue-chip clients may not prove as reliable as predicted, if the decision by Samuel Montague not to occupy the 180,000 sq ft new part of Billingsgate is a guide. And if the City Corporation follows up ideas of modifying its planning restrictions by allowing some large development, the core

Trevor Humphries

BEEF-UP FOR BEAUFORT

Some substantial—and fairly modern—City buildings are facing refurbishment or redevelopment in a market where high standards are necessary to draw tenants. Beaufort House (above), a former P & O centre in Aldgate, is a candidate through a partnership with Stockley, while the former BP centre near the Barbican is being rebuilt as the 250,000 sq ft Ropemaker Centre. Other 1960s and 1970s buildings like Lee House on City Wall, and Malvern House on Upper Thames Street could be demolished to make way for space which meets modern demands for flexibility, large floor areas and capacity to handle high-technology.

Alastair Guild talks to two managers with clear views of the type of property they demand

Looking east for expansion

Standard Chartered

HOMECOMING can be sobering for some property men used to the expanding markets in North America, South-east Asia or the Middle East. They return to what they see as stifling planning restrictions, expensive construction and long lead times.

Mr Stuart Tarrant, Standard Chartered Bank's chief financial officer and the man with the task of switching the bank's London head offices, is no exception.

A chartered accountant with spells at ICI, the Cavenham Group and executive vice-president of one of the largest U.S. supermarket chains, he joined Standard Chartered five years ago and last year was given responsibirlity for the bank's office requirements.

"Our 44-storey offices in Singapore were started about the same time as our eight-storey Bishopsgate head office development," he said. "We occupied the Singapore building in April 1984 but don't expect to occupy the Bishopsgate offices till this October."

The London head office has been designed to provide a new image, fit to receive stateamen, businessmen and bankers from all over the world. All key personnel will be in one place and the building will be wired for the latest technology, as well as enabling departmental layouts to be changed at minimum cost.

"We looked at moving the international banking division, trading in foreign exchange, options and gilts under the same roof. But you need trading floors in excess of 15,000 sq ft. And our trading operations are growing at such a rate that they would not fit into the new City building," Mr Tarrant said.

"There is not much suitable space on that scale anywhere in the City. The Square Mile has a major problem in that financial deregulation and business combinations have new occupation requirements"

Standard Chartered has been looking at developments in the Isle of Dogs, part of the Docklands enterprise zone east of the City. Office buildings are being planned providing open-plan floors in excess of 15,000 sq ft with room for expansion.

Mr Tarant is attracted by the all-in costs of £20 per sq ft, reflecting financial incentives offered by the Government. Good communications are planned.

"Several large trading houses are contemplating going there," he said. "If the major players operate from there it will have profound consequences for property in the Square Mile.

"Another advantage of the Isle of Dogs is that it is being supported by central government and this compares with several socialist-controlled councils surrounding the City which appear to be against big business.

"London will only expand as an international financial centre if accommodation requirements are available at the right cost, with the right design and support services, and if councils fringing the Square Mile are seen to be more pro-business."

Speculative space unsuitable

Sedgwick's

SEDGWICK'S, the world's second largest insurance brokers, last January set up Sedgwick Group Properties, to manage and develop its properties.

"Property costs had been hidden. With a separate company we have a much clearer picture," said Mr David Kitchiner, group property director.

The parent group handed over to SGP the management of the shopping, sports complex and car park in its new Sedgwick Centre headquarters on the eastern edge of the City of London opened last month.

"We had no choice. If we had employed specialists and they had mismanaged them, it would have been Sedgwick's reputation that would have suffered," Mr Kitchiner said.

He has been involved in rationalising offices inherited by the group following mergers. In 1974 Sedgwick Forbes occupied its head offices in Aldgate and decentralised some activities to Witham, Essex. Later came a further merger with Bland Payne, which had decentralised some activities from London to Norwich and had smaller premises scattered around the City.

"We had acquired 300,000 sq ft, but 100,000 sq ft of this was in little bits of leased spaces where costs were high and inflating," Mr Kitchiner said.

His initial task was to oversee the building of the Sedgwick Centre.

"Insurance broking is very fluid. A director groups round him 30 or so people to settle a claim, and once this is settled, they scatter.

"We need open spaces where that sort of movement of staff can be accommodated. The average speculative building does not have that sort of configuration, nor does it provide for cabling necessary in an age of advanced telecommunications. The Sedgwick Centre has one-line access to its mainframe computers at Witham."

Sedgwicks built the centre on the City fringes because space was more available. The new centre is in Tower Hamlets, though Sedgwick-Forbes House, which houses 1,000 staff, is across the road in the City.

"Tower Hamlets is a competent local authority. It realises that this area is going to be a major income producer and cannot be greedy," he said.

"Having started on the fringes, if we want to add to our building stock, it shouldn't be too difficult to find something suitable because a lot of development is going on around us. The insurance broking world has accepted the limitations of the area, and we are providing some facilities which are lacking."

Little further decentralisation is possible to Norwich or Witham because brokers need to be near the Lloyd's market, Mr Kitchener says.

"It is too easy to decant the wrong people and end up with poor communications between departments. Property decisions have an enormous personal impact on employees, and I'm not sure that the right weight is always given to that in decision making."

Office Property 4

New paths explored to pay for giants

Investment
WILLIAM COCHRANE

FEW institutional property investors are willing to entrust the £80m-plus necessary to develop today's big office developments, so new solutions are being suggested to find the money.

Unitisation, which involves setting up a unit trust for each building is one path. But there can be problems.

Mr Edward Luker, of Richard Ellis, told a recent conference that existing property unit trusts covering a spread of properties, showed a wide spread (sometimes as high as 10 per cent) between buying and selling prices. There were also protracted redemption periods if holders wanted to get rid of their units, and a general lack of control.

"A lot of pension funds only started 10 to 15 years ago in property," he said. "They started with property unit trusts, were weaned off to direct property investment, and now we are asking them to turn around again."

However, he did not write off the unit trust prospect.

A Royal Institution of Chartered Surveyors working party, chaired by Mr Colin Vaughan of Debenham Tewson and Chinnocks, has proposed that single property unit trusts should be authorised. A wider range of investors could then become involved in the property market.

Another path could lead to the same goal, according to Mr Jonathan Coote, Sun Alliance chief investment surveyor—the single-asset public property company.

"Fund managers understand equity," he told the same PROFEX conference as Mr Luker. "One single property could form a useful company in its own right, but it has to be publicly quoted."

But again there were problems:

- Double taxation, in that a company pays corporation tax on the dividends.
- "Valuability," in that a share has to be seen to be worth something, and a company can hardly sell its asset to establish that.
- Accountability and management.

Solutions would involve fiscal reform, including disposal of tax allowances proportionately to income; an organised exchange for these shares; existing accounting rules should apply to equities generally; and major property agencies could probably take the management role.

Advantages would include ability to gear up in times of low interest charges and lowering of the high yields necessary to sell large investments. Takeover bids were possible if the market for big investments improved faster than that for smaller units and foreign capital could be attracted to this easily understood investment medium.

Assets could be transferred cheaply and quickly, while marketability and portability would move closely into line with main institutional investment opportunities removing some fund managers' objections to putting more than 20 per cent of their portfolios in property.

A third approach to large investment could be consortia management, or syndication, said Mr Nickolas Medhurst, MMG Investment Banking Services.

This would need a new breed of developer or sponsor with powerful evidence of commitment like equity investment, or financial guarantees. The sponsor's track record should be financially strong and include a reputation for bringing in projects on time and on budget.

There is a lack of any formal primary or secondary market for minority interests in property, and a need for liquidity without a significant cost penalty, Mr Medhurst said. MMG's solution was to limit the life of the consortium trust to 10 years—long enough if the potential return on investment was good enough.

The single-property unit trust seems to be the preferred current vehicle for such investment. Mr Christopher Jonas, managing partner of Drivers Jonas and chairman of the RICS policy review committee, has reinforced this view.

He has suggested a property unit exchange similar to the stock market.

"I see a situation in which investment property is broken down into relatively small units and once sold by the promoters of a single-property trust, would not be repurchasable unless an offer was made specifically by the promoters," he said.

Mr Patrick Scott, head of the former Chase Manhattan London property team which now forms Woolgate Property Finance, thinks Mr Jonas is working along the right lines—even if the solution may be a long time coming.

"People are groping for instant solutions," he says. "But it is going to be a slow process."

Woolgate's legal adviser, Mr Edward Troup of solicitors Simmons & Simmons, who have done a lot of work on unitisation, says: "What we see coming is just the division of a single property between lots of owners.

"You cannot create a market overnight but if institutions interact, it will come—and it is possible within the existing legal framework."

Three of the biggest potential developers in this market have told him they want to learn as much as they can to get their developments off the ground at the right price.

"It is not so much that major developers cannot develop, cannot fund or cannot dispose of buildings such as these," Mr Troup says. "It is a case of enhancing their investment potential."

London Life aimed for efficiency and comfort in its 140,000 sq ft Bristol headquarters, extensively consulting staff on furniture design and producing annual running costs of £1.07 per sq ft through measures such as electric heating and low-maintenance finishes costed by quantity surveyors Gleeds

Inefficient buildings lose out in race for tenants

Service charges
DAVID LAWSON

THE COST of running buildings has taken on new importance in the harsh economic climate of the 1980s. Companies have begun to take a much closer look at outgoings on services like heating, lighting and repairs, and inefficient buildings are losing out in the race for a smaller number of tenants.

In buoyant times, finance directors rarely queried outgoings, raising their hackles mainly when a large demand for repairs dropped on their desk. Pressure for tighter cash-flow brought accommodation costs under the microscope, initially concentrating on more visible outgoings on rent and rates.

The focus has now widened to include running costs, and the shift is having a profound effect on parts of the property investment market. Tenants know they are in a buyers' market with so much more space available and are as interested in the potential service charges on premises as they are in rents and rates. Landlords often have to trim rents even in good locations where buildings are less efficient, while developers have become obsessed with designing schemes which can stand up to such scrutiny. New definitions of prime are being set by efficiency.

Income

Even companies tied into long leases are using running costs as a lever when rent reviews are due. Property management has taken on a new lease of life as owners press agents to seek ways of keeping down costs to protect their rental income.

Much more work is therefore being done to measure relative costs. For instance, Space Planning Services has determined that annual service costs vary from £8,000 per worker in the City to £3,000 in the provinces and account for an average 37.8 per cent of total accommodation costs across England.

Agents Jones Lang Wootton also attempted to give a broad guide in bills for a sample of office buildings they surveyed across the country.

They found that overall costs rose by 75 per cent between 1979 and 1983, perhaps justifying the fears of many tenants as this was 25 per cent more than the general rate of inflation. But there was considerable variation in the services and in different locations, making comparisons and budgetting more difficult.

Repairs and maintenance, for instance, grew more than 100 per cent in value, while insurance increased only 9 per cent —and fell from 1981. Repairs probably increased because more work was done (even some modern buildings are crumbling) and insurance was probably affected by stiffer market competition.

More useful for comparison is that the 10 service areas covered kept the same order of importance over the year. For instance, energy costs continued to take the biggest part of the total (20.4 per cent for non-air-conditioned space and 22.8 per cent for air-conditioned), even though it grew by only 69 per cent in value, one of the slowest rates of increase.

The consistent ranking of services could give a reliable basis for priorities in monitoring or cost reduction. Energy is obviously a prime target for saving, in spite of its slow growth. A mere 1 per cent cut in costs would obviously have a bigger impact on total bills than a similar percentage cut in another service.

This is made plainer in calculations averaged for each square foot of space. Repairs and maintenance costs have become highly controversial yet the doubling of charges 1979-83 increased service costs overall by only 9p a square foot with the 69 per cent energy increase which raised costs by 21p a square foot.

The overall level of costs in 1983 was £3.36 a sq ft for air-conditioned buildings and £2.09 for non-air conditioned. This can be set against total rent and rates varying from about £48 a sq ft that year in the City of London to about £4 in Leicester and Bradford. (Since then, City costs have gone above £50 a sq ft and in provincial centres have risen overall by about 13 per cent).

The biggest problem for tenants trying to use such information is the variation within the averages. In non-air conditioned buildings, costs varied from £2.19 a sq ft in the City to £1.36 in the provinces, with the West End (£1.96) and outer London (£1.52) falling between. Higher energy costs seemed to make up most of the difference between outer London and provincial service costs.

Other variations come from size of building, with costs per sq ft tending to fall with extra floorspace. The average was £3.15 a sq ft for premises of less than 5,000 sq ft but £2.23 a sq ft for those between 5,000 and 10,000 sq ft. Age of structure, intensity of use and efficiency of plant also come into the equation, giving similar buildings different running costs.

Replacement

Costs for specific buildings can best illustrate the variety. For instance, Greycoat-Rosehaugh's 200,000-sq-ft ultra-modern design at Finsbury Avenue on the northern fringe of the City was designed for modern efficiency demands and claims running costs of less than £3 a sq ft (including insurance). The Commercial Union tower in the City core, a product of the last property boom, is reported to cost up to £8 a sq ft to run.

Such variability might limit the value of these figures for the average tenant in negotiations with a landlord, but they give a baseline to work from. And any information is better than none in tenant/landlord relationships, which tend to be dogged by uncertainty and bad communications, according to research by the College of Advanced Land Use Studies at Reading.

It found that smaller tenants tended not to understand costs —particularly the apportionment of occasional big charges like replacement of plant—and suggested that landlords could do a lot more to explain what they charge.

Some tenants of multi-occupied buildings are prepared to form associations and take a professional advisor to negotiate service charge claims, according to agents Herring Son & Daw. And professional advice certainly seems essential before leasing premises to ensure that landlords are not given carte blanche.

The Reading report suggests tenants get mechanical and electrical engineering advice on potential repairs to plant. Checks by building surveyors of other parts of a multi-occupied building should be made if a tenant is liable to a share of repair charges.

In fact, much of the potential for keeping down service costs lies with the tenant at pre-occupation stage. Modern leases are designed to cover all extremes and give landlords wide discretionary powers. In today's buyers' market there is plenty of scope for negotiating more detail and less discretion.

AVERAGE SERVICE COSTS†

	£/sq ft
Building management	1.29
Energy	1.21
General repairs	1.17
Cleaning	0.80
Security	0.57
Insurance	0.26
Lifts	0.09
Total	5.39

† In England.
Source: Space Planning Services.

Energetic savings

THE PRESSURE to make office buildings more efficient and attractive to tenants is bringing to the fore surveyors who act as property managers, and creating a breeding ground for new specialities.

Energy is the biggest outlay and a growing range of packages for cost-cutting is coming on the market. For instance, Emstar, a subsidiary of Shell UK, has guaranteed Sun Life Properties a 10 per cent annual rebate on its energy bill of £57,000 for Randolph House, a multi-storey office block in Croydon, south London, plus half of any further savings under its energy management contract. Emstar takes its fees from any savings and intends spending £25,000 of its own on equipment and plant.

Maintenance and repairs have proved a prickly problem between owners and tenants because they often involve large and unexpected costs for equipment like boilers and other plant. A London-based company called TEAM is offering guaranteed minimum savings of 7 per cent through a condition-based maintenance contract to replace the normal periodic inspections.

The company, which claims to have cut more than 22 per cent (£57,000 a year) from running costs on BP Chemicals' 225,000 sq ft headquarters in West London, says the new system ensures that equipment is not left running inefficiently or replaced prematurely

David Lawson

Coping with the human element

Equipment
WILLIAM COCHRANE

MANY MORE varied activities are occurring in office buildings because more diverse businesses are occupying such space, and because the life-cycle of each one involves more marked changes in what its members do.

"More space is demanded for equipment, professional workers, training and support areas and other ancilliary services and less for clerical workers or high ceilings," Mr Anthony Downs, of the Brookings Institute in Washington, said in an analysis of the impact of telecommunications on real estate and development.

Raised floors, lowered ceilings, open spaces and the flexibility to install cellular accommodation are further demands. But the human element is also important with an increasing ratio of professional to clerical staff, comfort comes into reckoning.

Mr Neville Osrin, marketing director of the Strasbourg-based Steelcase Strafor office furniture group says: "The office environment is about people, despite the current emphasis on technology."

Storage

Research aimed to determine what factors were associated with employee satisfaction. For instance, a survey on seating comfort suggested significant problems.

Mr Osrin says productivity is highly influenced by the office environment and aesthetic aspects of design. In fact, these could be inextricably linked in the mind of the employee.

Important factors were adequate storage space, working surfaces, temperature control and illumination and comfortable seating, the office should be able to allow technological revelopment and provide enough privacy to prevent distraction.

Cable clutter can lead to power lines distorting the signal cable of a visual display unit. A work station surrounded by a spaghetti junction of wiring was also "unsightly, difficult to service, and can be dangerous," he said in a report on his research.

Other problems could involve too much contrast in the ratio of natural light to VDU screens, or too much glare from screens, non-adjustable chairs, and keyboards too close to screens.

"I did one project where 30 per cent of the screen operators had back problems," Mr Osrin said.

The Orbit study published in 1983 drew attention to the inadequacy of many buildings to integrate information technology because of limitations in the way they were built.

Mr Osrin says that within the context of the limited, and often costly solutions to this problem, integrated furniture systems has become an increasingly attractive option. Cables are contained within such furniture.

"Furniture systems are able to provide those facilities generally associated with the building structure, such as power distribution, lighting, acoustic control, space division and wire management," he adds.

"This opens up exciting new options in the use of older buildings, which are often ideal in space configuration but lacking in lighting, power distribution and other environmental facilities."

Mr Charles Heidmann, director of research and development at Steelcase Strafor, says good lighting and acoustics are important.

Intensity, direction and colour of light rather than its strength is what matters.

"You need comfort, not too much contrast, and an indirect uplight—an ambient light source which moves with the furniture.

"It's also important to be able to switch off the light." One doesn't need light to think."

Mr Heidmann says that people do not look after their eyes: they use more light when they need more contrast.

To reduce intrusive noise, like a VDU printer, panels can be used which attentuate sound by 20 to 25 decibles.

Privacy of conservation sometimes requires the us of "white noise" to cut down distractions.

Soon the Government will offer for sale its remaining 49% share in Britoil.

Britoil is one of the country's leading oil and gas companies.

And it's one of the world's largest companies engaged primarily in exploration and production.

It has the greatest share of exploration acreage of any company on the UK Continental Shelf.

In November 1982, Britoil became a publicly quoted company when the Government sold 51% of its shares to the public.

Since then, Britoil's growth and achievements have been impressive.

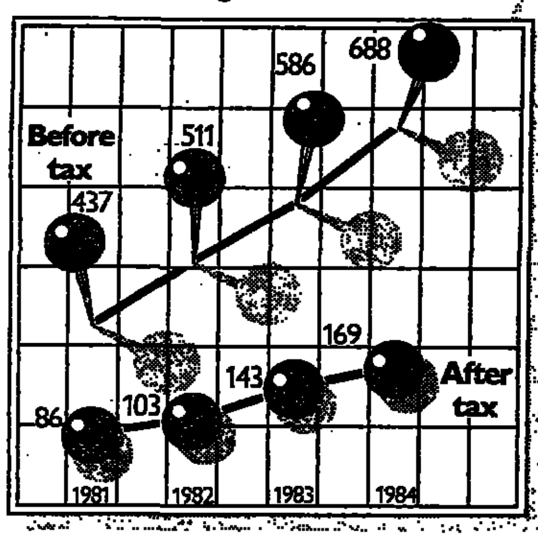
Now the Government has decided to offer its remaining shares for sale. And, as in the past, it intends to give private individuals, not just City institutions, a full opportunity to apply for shares.

Subject to market conditions, the offer is planned for the end of this month. There will be just seven days to make an application for shares before the offer closes early in August.

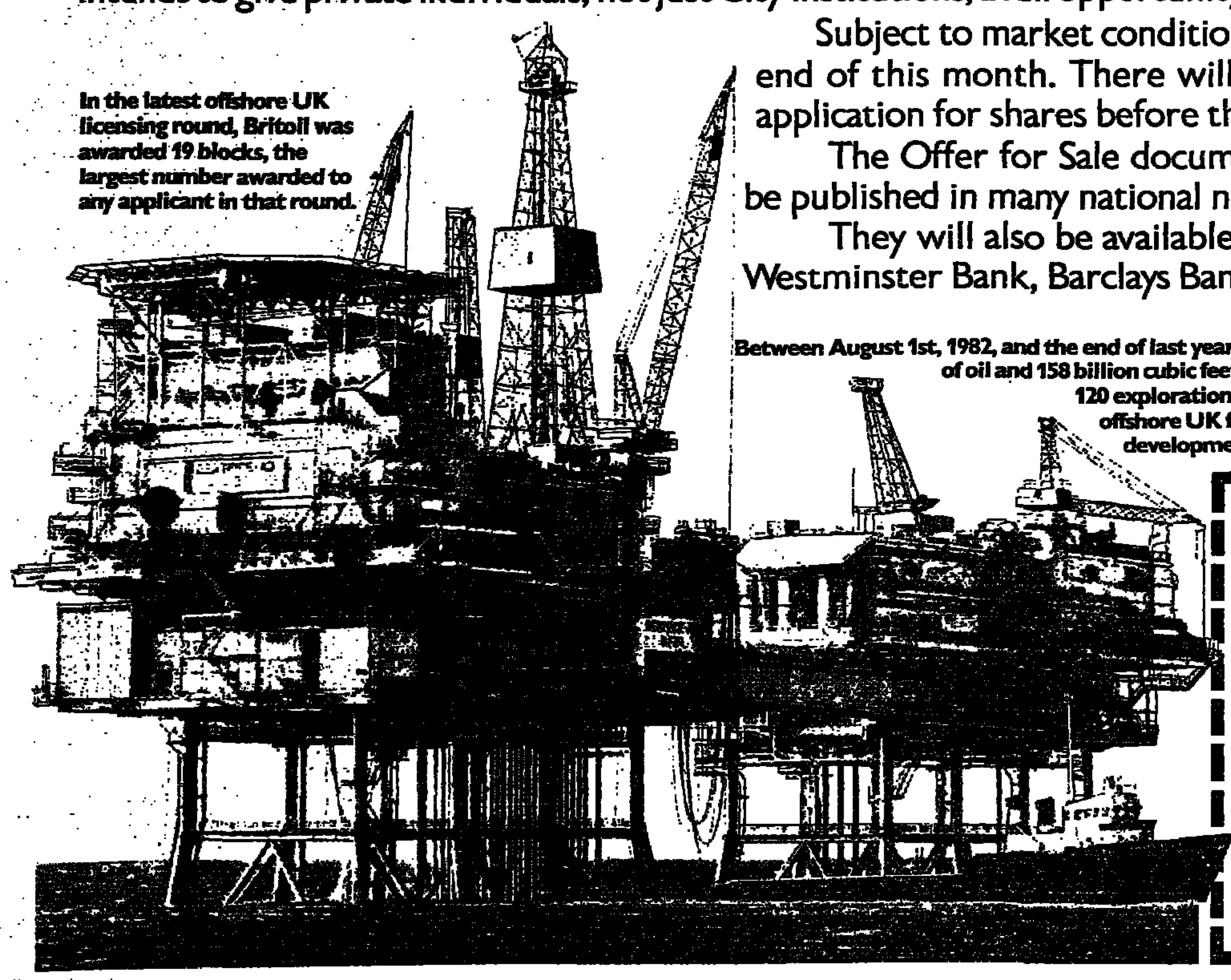
The Offer for Sale document and application forms will be published in many national newspapers.

They will also be available from all branches of National Westminster Bank, Barclays Bank and the Bank of Scotland.

Since 1981, after-tax profits have virtually doubled. The figures for 1981 and the first seven months of 1982 reflect those of the business transferred from BNOC to Britoil on 1st August 1982.



Britoil has built up a first class team of exploration, project development and field operating staff led by experienced management.



In the latest offshore UK licensing round, Britoil was awarded 19 blocks, the largest number awarded to any applicant in that round.

Between August 1st, 1982, and the end of last year alone, Britoil produced 141 million barrels of oil and 158 billion cubic feet of gas. It also participated in drilling some 120 exploration and appraisal wells and in bringing four offshore UK fields into production and a further five into development.

Please send me more information about Britoil and reserve my copy of the Offer For Sale document, without obligation.

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Address ____________________

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Send to: Britoil plc, P.O. Box 5000, Bristol, BS99 1GB.

Britoil

SOON, THE REMAINING 49% OF BRITOIL SHARES ARE TO BE OFFERED FOR SALE.

Issued by Lazard Brothers & Co., Limited on behalf of H.M. Government.

THE PROPERTY MARKET BY MICHAEL CASSELL

Hammerson sells in Canada

HAMMERSON GROUP is believed to have raised C$45m (£24m) by selling three Canadian properties purchased in January this year as part of the Rank City Wall portfolio.

At the time of the £59m deal with the Rank Organisation, Hammerson said it intended to dispose of some of the properties and it now appears to have used tax losses — which it acquired in 1984 with the £47m takeover of Mascan Corporation — to shield itself from any tax liability arising out of the latest sales.

The three buildings have been sold to separate purchasers. They are 10, Wellesley Street, Toronto, an 80,000 sq ft office investment sold to a private buyer, Canada Place, an 185,000 sq ft office centre in Calgary, again sold to a private purchaser, and 109, West Georgia Street, Vancouver, a 146,000 sq ft building which has been bought by an institution.

Sydney Mason, chairman of Hammerson, says the sales represented "a very satisfactory disposal." The deal means that Hammerson has held on to only two of the five properties it purchased at the start of the year. The investment at the heart of the deal is 2, Bloor Street, Toronto, a 500,000 sq ft office and retail complex which Hammerson intends to refurbish as soon as plans are finalised.

The other remaining property acquired from Rank was the Shepherd Centre in Toronto, which is held on a short lease. Hammerson was not interested in the centre but it came with the Rank package and it looks as though the group will retain its interest for the time being.

"Beef up" for planning zones on way

THIS week's White Paper from Lord Young, designed to make life easier for businesses struggling under the weight of costly and time-consuming regulations, highlighted the need to simplify the planning system and encourage new development.

In many respects, "Lifting the Burden" merely reflects on the deregulation measures it has taken so far, but it does also include one or two policy changes of direct relevance to the development sector.

In the case of simplified planning zones, which will embrace the type of planning regime already established in enterprise zones and permit certain types of development without the need for specific planning permission, the government intends to allow private developers to take the initiative in getting them established.

While local authorities will be given powers to introduce special planning zones, they will also be required to consider proposals for their establishment which are initiated by developers themselves. The relevant ministers would have reserve powers to direct the preparation of proposals for a special zone, in the same way they can already call for the preparation of alterations to development plans.

The British Property Federation, which has its own working party already looking into the whole question of planning, welcomed the plan and said it should help "beef up" the special planning zone proposals.

The White Paper also outlined proposed changes to the system of general development orders, which enable types of development to take place without the need to apply for planning permission. Amendments to be introduced in the next session of Parliament will increase the permitted limit on the extension of industrial buildings from 20 per cent of cubic content to 25 per cent (subject to an upper limit of 1,000 sq metres) and there will be a new provision for the extension of warehousing to a level similar to that proposed for industrial buildings.

Lord Young also said that the results of the review of use classes order, will be published for consultation later this year.

Industrial rents ready to rise

AFTER falling in real terms for the last six years, industrial rents in the UK are levelling out and should begin to grow ahead of the rate of inflation in 1986.

According to Hillier Parker, the surveyors and agents, average rents on industrial property should rise by about 6 per cent in the period until November next year, slightly ahead of the predicted rate of inflation.

But the agents, whose forecast only applies to standard, modern industrial accommodation and does not include "high-tech" property, emphasises that the revival is very much a regional affair, with London and the South setting the pace.

Hillier Parker points out that there are already clear signs of an upturn in the industrial market in the South-East and that there could well be a shortage of modern property around locations like the M25 motorway. As a result, sharp rental increases are likely and the agents believe average rents in the region could beat the inflation rate by as much as 4 per cent over the next 18 months.

Beyond the South-East, however, where industrial rents over the last six years have fallen in real terms by nearly 30 per cent, there are only a few indications of a modest improvement in the market, with rents generally remaining static. One or two specific locations, such as East Anglia and the South-West, might perform better.

Rental growth in the Midlands, the North and in Scotland will be patchy over the next 18 months, suggesting that the division in rental performance between the north and south of the country will widen further in the period up until the end of 1986.

Beyond 1986, Hillier Parker appears less optimistic, suggesting that the outlook for production output implies fairly flat industrial rentals in the south of the country during 1987. Judging by the forecasts for manufacturing employment—a major factor in determining the the health of the northern half of Britain—rents in the rest of the UK could again start dipping downwards.

Russell Schiller at Hilliers says that, although yields have not altered, investors are again including industrial property on their shopping list: "next year will be the best year so far this decade for industrial rent growth, although the performance is unlikely to be maintained after that."

● Heron Sellar Properties has paid £4.45m for a prime retail site in High Street, Hounslow, jointly owned by Unigate and Electricity Supply Nominees. The two-acre site will be redeveloped.

Dean Witter signs up

DEAN WITTER Financial Services, the U.S. brokerage group, is to occupy over 1m sq ft of floorspace in New York's World Trade Centre in a letting estimated to be worth between $700m-$800m over the life of the 20-year lease. The deal, in which the tenant was advised by Coldwell Banker, is believed to be the largest lease signed with a private tenant in the Centre.

● CITY TOWER, the 135,000 sq ft development in Basinghall Street carried out by Wates City of London Properties and Phoenix Assurance, has more new tenants. Pierson Heldring & Pierson, the Dutch bank, is paying £32 a sq ft for a 25-year lease on 6,200 sq ft floor while Manufacturers Hanover Trust is taking a 10-year lease on 12,400 sq ft at £30 a sq ft. Anchor tenant, Nippon Credit Bank, paid £26 a sq ft when it signed up two years ago and now agents Baker Harris Saunders are looking for £34 a sq ft for the remaining 31,000 sq ft.

● Stockley has let Thoresen House, Shaftesbury Avenue, London W1, to Hoskyns Group, a U.S. computer company. Rent for the 54,000 sq ft building was close to £16 a sq ft Michaels acted for Hoskyns and Pepper Angliss and Teacher Marks represented Stockley.

Search for small offices steps up

TALK TO foreign businessmen arriving off flights at Heathrow or Gatwick and the chances are they will be expecting to work out of a hotel room when in London. Ask them if they would prefer a small office and the answer would be: yes, but where are they?

There is a severe shortage of small, serviced office accommodation, says Mr Mitchell Winter, of London estate agents Winter and Co. But the picture is changing dramatically.

In the late 1970s leasehold units of 300 to 1,000 square feet of an acceptable international standard were almost impossible to find and companies usually had to make do with furnished offices.

Estate agents specialising in multi-occupancy are now trying to convince owners of the demand. The institutions have the largest stock of suitable buildings, and Winter and Co is in discussions with three large ones. But Mr Winter says it will be 12 to 18 months before he can supply enough accommodation to start to satisfy demand.

Many institutions still tend to view the one-tenant, 25-year lease as the safest option. They have not appreciated that multi-occupancy, with frequent reversions giving a high income yield, can provide a broader portfolio with greater benefits in the short and medium term, Mr Winter says.

Demand is growing from European, North American and Japanese multinationals for representative or service offices with flexible leases. The dramatic increase in small businesses in the service sector is also expected to stimulate demand. Companies which have won major contracts overseas and need extra office space for a set period, are also showing increasing interest.

"Tall and skinny" buildings are particularly suited to multioccupancy, says Mr Winter. Non-income-producing areas such as staircases are reduced, whilst each office will have its own window providing rooms with natural light.

An extra 70,000 sq ft of space suitable for small users is estimated to be needed outside the City or Holborn. Even when companies have raised finance for refurbishment as small units, they often cannot find suitable buildings. The trends in London are indicative of those elsewhere.

"The nature of commercial property investment means long-term views and strategies have to be adopted to ensure secure investment and performance," Mr Winter says. "However, due to a highly volatile market it has become necessary to implement alternative strategies to ensure the future safety and performance of a portfolio.

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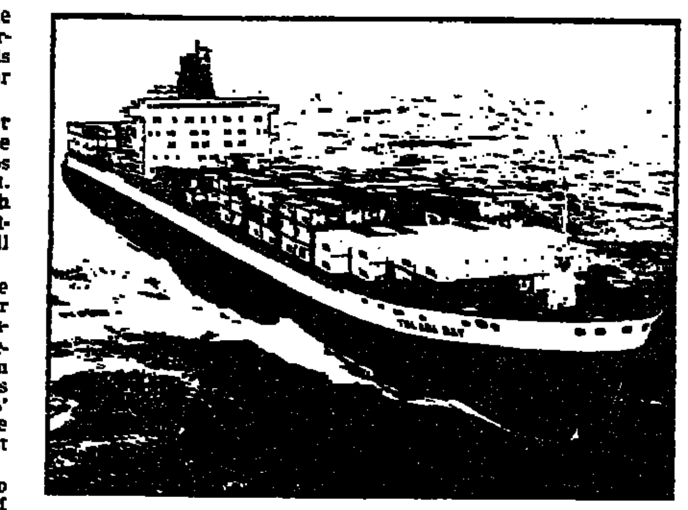
CONTAINER SHIPPING

Pacific is the new battlefield

By Andrew Fisher, Shipping Correspondent



STORMS ARE brewing on the world container shipping market. Already, the first squalls have many of the world's major shipowners running scared.

The reason? As in other hard-pressed sectors of the industry, more and bigger ships are coming on to the market. But there are just not enough cargoes to go round. So inevitably, some companies will suffer.

The new battleground is the Pacific, now the world's major container route as U.S. consumers buy more cars, electronic and other goods from Asia. A few years ago it was the Atlantic where shipowners' noses were bloodied in fierce competition for the most important container traffic.

"Things are changing day to day," says Mr C. L. Lim, of Evergreen, the Taiwanese line which sent shivers through the market several years ago by ordering more than $1bn-worth of ships and equipment for a bold new round-the-world service.

"It's very erratic. The over-tonnaging is already there, it has not come overnight. It's becoming a fact of life that everyone has to live with."

Making it more of a fact of life are the almost equally costly expansion policies of United States Lines, headed by the tough Mr Malcolm McLean, a pioneer in world shipping containerisation in the late 1950s. Under Mr McLean, U.S. Lines is one of the most close-mouthed shipping companies in the world.

But such is the sensitive state of the market that other top U.S. shipping companies such as Sea-Land — once headed by Mr McLean in the formative containerisation days — and American President Lines (APL) are also unwilling to go beyond the normal requirements of keeping investors and shareholders informed.

But earnings are on the slide, especially on the Pacific. Container rates, which rose last year but still lagged behind late 1970s levels, have slipped again.

After last year's 25 per cent cargo surge on the Asia-U.S. route, which pushed profits of Sea-Land (formerly part of Reynolds tobacco) and APL to record levels, 1985 is proving far more sedate, as the U.S. economy threatens to run out of steam. Certainly, growth is still there. But more ships are coming on to the market.

"We're now beginning to see cargo volumes not coming up to expectations against a growing fleet," says Mr Dan White, a leading analyst with London stockbrokers Laurence Prust of the world liner (scheduled cargo) sector.

"The general scene is one of rate-cutting. There is a possibility of casualties." The full impact of the fleet growth of Evergreen, headed by its founder Mr Y. F. Chang, and U.S. Lines, "has still to be felt," he adds ominously.

Hence the anxiety of shipowners and the unwillingness of companies, in the U.S. at least, to say no more than is necessary. But in Europe, executives feel less constrained though what they have to say may not be cheerful.

"For the next couple of years, I'm very pessimistic," comments Mr Hans Jakob Kruse, chairman of West Germany's Hapag-Lloyd.

In the UK, Mr Kerry St Johnston, chairman of Overseas Containers (OCL), a major operator on Europe-Far East routes, says: "We are determined not to have our cake substantially taken away from us—we've got to fight to retain our business."

Liner shipping, with regular cargo calls on fixed routes and the emphasis on a regular service to shippers of general cargoes from heavy machinery to a host of consumer goods, is far removed from the hectic open-market atmosphere of tanker or bulk commodity trading.

But these days, the similarities are too obvious for comfort. Both Evergreen and U.S. Lines have decided that big ships sailing round the world—Evergreen goes both ways and U.S. Lines only east-bound but with larger ships—are the key to the future.

For Evergreen, a two-way global service offers much flexibility in positioning containers and routing cargoes.

A few years ago, a big container ship carried about 2,000 TEU, shorthand for 20 ft equivalent units, the basic industry measurement. Many steel boxes, though, are now 40 ft and longer. Over-capacity on world container routes, now some 20 per cent, is set to rise to an estimated 40 per cent.

The 12 new ships of U.S. Lines, now being delivered from South Korea, are 4,000 TEU giants, though still able to go through the vital Panama Canal. As with Evergreen, whose vessels are not so large, the gamble is that the ships can gain through economies of scale and increased efficiency.

Evergreen will have 24 vessels—it may order four more—on its weekly round-the-world service. Most are delivered. The companies have borrowed heavily to finance their billion dollar investments.

"Both are high-risk/reward operations," says Mr White. "You certainly can't ignore either." The expansion of Evergreen and U.S. Lines—other companies like Taiwan's Yang Ming, Tung of Hong Kong, and Japanese lines are also building new ships—is having repercussions on both major oceans.

APL, spun off from the Natomas energy group two years ago, operates only in the Pacific. It has already warned shareholders that earnings will drop by about half this year after the boom conditions of 1984.

Yet like OCL in the UK, whose earnings prospects, at least for this year, are viewed optimistically by London analysts, it is not burdened with heavy debt and has a modern fleet capable of riding out most storms.

Not surprisingly, the advent of large volumes of new tonnage has caused upheavals in the once cosy world of the conferences which set rates, schedules, and cargo allocations for their members.

Evergreen has been among major non-conference outsiders, which set rates below the conference groupings. The biggest, the 34-member Far Eastern Freight Conference (FEFC), is trying to preserve what it can on routes to and from Europe.

"Nobody wants to cut rates and have rate wars, but nobody is prepared to sacrifice chunks of cargo to avoid a rates war," says Mr Brian Allen, director-general of the FEFC. It has set up an "action unit" to monitor outsider rates and change its own when necessary.

Aided by the less restrictive provisions of the 1984 U.S. Shipping Act, making it easier for lines trading into the U.S. to make cargo-pooling, rate-setting and other arrangements, new "super-conferences" have been formed on the Atlantic and Pacific.

Both Evergreen and U.S. Lines are among their members. The trend to collaboration has become marked over the past year or so. Sea-Land and Hapag-Lloyd have a deal by which each can charter space on the other's ships between the U.S. West Coast and ports in Asia.

Evergreen and Japan Line are discussing rationalisation on the Pacific, while a highly-complex agreement was signed in April between Barber Blue Sea (owned by U.S., Norwegian, and Swedish companies), Ned-Lloyd of Holland, and Scan-Carriers of Norway.

The tie-up covers routes between the U.S., Middle East, Far East, Europe and Australasia, entitling each company to book slots on the roll-on/roll-off container vessels in the three operations.

But no amount of scrambling to form alliances can disguise the fact that too many ships means tough times ahead.

APPOINTMENTS

John Raitt joins Tricentrol board

TRICENTROL has appointed Mr John S. Raitt to the main board. He is—and will remain—managing director of Tricentrol Oil Corporation, responsible for all exploration and production operations in the Eastern Hemisphere and the rest of the world, excluding North America. Prior to joining Tricentrol in 1983, Mr Raitt had 15 years' experience with Conoco in south-east Asia, the U.S., the Middle East and the UK.

★

As reported on July 13 THAMES TELEVISION has appointed Mr Richard Dunn as managing director. He also becomes chief executive. He replaces Mr Bryan Cowgill who has left the company by mutual agreement. Mr Dunn who was previously director of production, will also become chairman of the main wholly-owned subsidiary companies: Thames Television International; Cosgrove Hall Productions; and Euston Films.

★

LRC INTERNATIONAL has appointed Mr John A. Connell to the main board as a non-executive director. He is main board director of H. J. Heinz Co. responsible for European operations and a deputy chairman. Sir Peter Gadsden, a director of LRC International since 1978, has resigned, but will continue as a consultant.

★

Mr Alec Shapiro, managing director of Adhesive Materials, part of the Tinsley-Robor Group, is joining the Group's sales company — TRG SALES — as a director. Mr Bob Frost, who joined Adhesive Materials last year as deputy managing director is moving up to managing director while Mr Shapiro retains his directorship.

★

Mr Rowland L. Hughes, financial controller, Instituto de Resseguros do Brasil, has been appointed the finance manager of the NEW ZEALAND REINSURANCE CO., reinsurance arm of NZI Corporation, Auckland, New Zealand, and takes up his duties in London on July 22.

★

BOWATER BUILDING PRODUCTS has appointed Mr Roy Wakeman as managing director of Bowater Joinery. He succeeds Mr David Hicks who assumes a key role in the development of new business opportunities at Bowater Building Products.

★

OFFICE CLEANING SERVICES has appointed Mr Christopher Cracknell and Mr Peter Goodliffe to the board.

★

ABBEY LUBBOCK has appointed Mr Richard Loates as general manager and company secretary. The Marquess of Reading becomes non-executive director and marketing consultant with special responsibility for the U.S. Mr Richard Scott has been appointed a director of Abbey Sports and Events. Mr Jeff Griffin has been promoted a director of Peter Lubbock Travel.

Mr John S. Raitt, on the main board of Tricentrol

★

Mr Michael Window has been appointed associate director of HARLOW MEYER SAVAGE.

Lord Chelwood has been appointed as a non-executive director of UNITED TRANSPORT INTERNATIONAL, part of BET.

★

STC INTERNATIONAL COMPUTERS has appointed Dr A. C. O'Dochartaigh as director, External Affairs, and Mr P. O. Gershon as director, STC Network Systems.

★

Mr Geoffrey Holmes has been appointed deputy chairman of SYSTEMS DESIGNERS.

★

Mr Ian Griffiths has been appointed senior executive of NATIONAL WESTMINSTER BANK'S Public Affairs department.

★

Mr John Barnes, chief executive of Gill and Duffus Group, has joined the board of DALGETY.

★

Mr Maurice L. Oberstein has been appointed chairman and chief executive officer of POLYGRAM LEISURE. He was chairman of CBS Records UK.

★

Mr A. D. Danbury and Mr J. C. Birkmire have been appointed directors of LLOYD THOMPSON (INSURANCE BROKERS).

★

Mr Keith Hounslow, managing director of WS Atkins and Partners (Northern) and Mr Martin Fry, head of the energy and thermodynamics division of WS Atkins Group Consultants, have been appointed technical directors of WS ATKINS GROUP CONSULTANTS.

★

Following the integration of the SUN ALLIANCE and Phoenix companies, Mr A. Brian Dury has been appointed deputy city manager for the combined group. Mr Max Gillett has been appointed deputy manager, West End branch. Mr Derek James and Mr D. Hammond Giles remain City and West End managers respectively.

★

FRIENDS' PROVIDENT LIFE OFFICE has appointed Mr Ronald G. Florence as senior investment manager and manager, Stock Exchange department. He was previously overseas investment manager.

★

FIRST INERTIA SWITCH has promoted to quality assurance director, Mr Ken Bellamy, who was the group's quality assurance manager.

★

Following the departure of Mr Johnny Wright from AYER BARKER, Mr Paddy Murray has been appointed chairman of the agency. This is in addition to his recent appointment as group managing director.

★

JOHN FOSTER AND SON, mohair and worsted spinner and manufacturer, has elected Mr Victor H. Watson a director and appointed him non-executive chairman. He is chairman of John Waddington.

★

Mr Robert A. Fitzmaurice has been appointed managing director of PHILIP MORRIS LTD. He was vice-president, Philip Morris U.S. Mr John Speakman, previously managing director, becomes marketing director of Philip Morris Ltd., a post previously vacant.

★

The Worldfast Group has adopted a formal structure by the creation of WORLDFAST HOLDINGS, which has acquired the entire share holding of Worldfast, Ocean Despatch and Globeport. The board of Worldfast Holdings comprises Mr M. A. V. Southcombe, Mr J. W. Barclay and Mr S. G. Marchant. Mr Southcombe becomes group chief executive. Mr M. L. Thomas is appointed group development director.

★

Mr Peter Moseley has joined HP FOODS as sales and marketing director. He was sales and marketing director of C. Shippam.

★

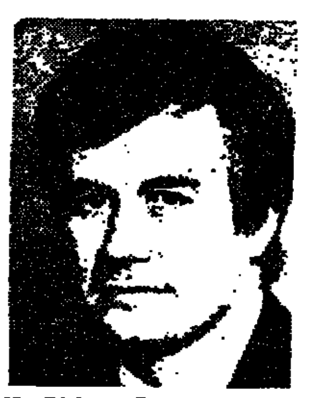
Mr Jeremy Hutton has been appointed head of group marketing of McCORQUODALE, a new position, to co-ordinate the marketing of some 40 subsidiaries. He joined the group in 1960.

★

At BEAZER HOMES Mr Terry Upsall, chairman and managing director, has been appointed chairman and chief executive. Mr Bob Stephens, formerly chairman of Beazer's eastern region, becomes managing director of the Homes Group and Mr Stephen Lidgate has been appointed assistant managing director with special responsibility for sales and marketing.

★

Mr Ken Freathy has been appointed senior manager, special financial services of NATIONAL WESTMINSTER BANK'S international banking division. He was senior regional manager, Africa, Middle East and India region, international banking division.



Mr Richard Dunn, managing director and chief executive of Thames Television

★

THE NEW CENTURY CLEANING CO. has appointed Mr Stephen Waud to its board.

★

Mr David Langton has been appointed chief executive of CHARLES FULTON FUTURES, financial futures division of the Charles Fulton Group.

★

Mr Howard Bradford has been appointed managing director of the office and property development division of FITCH AND COMPANY DESIGN CONSULTANTS. He was company architect with Lesser Design and Build.

★

MINTEX DON has appointed Mr Derek Aldred as sales director—replacement home and marketing; and Mr John Springall as sales director—O.E. and Replacement Export.

★

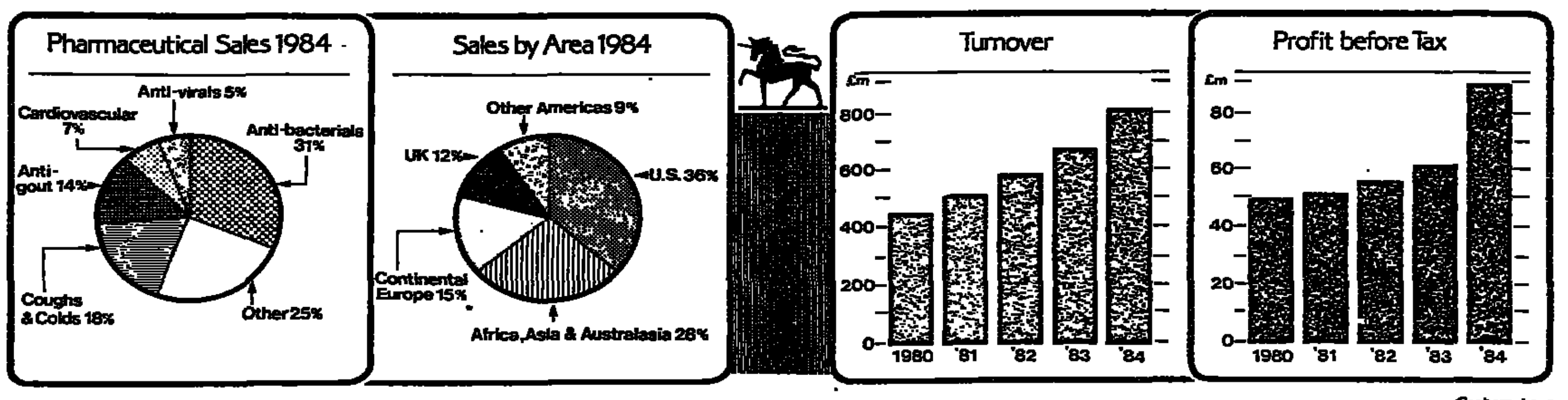
CHEMRING has appointed Mr Victor Albert Pheasant as executive director. He retired from the Royal Air Force earlier this year where he specialised in electronic countermeasures.

★

STC TELECOMMUNICATIONS has switche dp&COMV shrdlu has appointed Mr Stuart Bailey as general manager of its switching division, which is responsible for System 12 telephone exchanges, TXE4/A exchanges and its enhancements, and the DPS1500 packet switching systems.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ



Graham Lever

Discarding an image of other-worldliness

Tony Jackson reports on the Wellcome Foundation

THE WELLCOME Foundation is learning the art of disclosure. One of Britain's biggest private companies, the group has until now kept itself out of the public eye. In the run-up to next year's stock market flotation, all that is changing.

The results are surprising. Despite being one of the world's big drug companies, Wellcome has the image, in both the drug industry and the City, of being slightly other-worldly. Owned by a charitable trust and renowned for fundamental research, it has been seen as standing above the more ruthlessly competitive aspects of the world's drug industry.

From the company's majestic headquarters in London's Euston Road, it all looks rather different. Alfred Shepperd, group chairman and managing director, is a financial man to the core. Previously with the Rank Organisation and merchant bankers Keyser Ullmann, he joined Wellcome 13 years ago from the post of finance director with chemicals group Laporte.

An energetic man, Shepperd tends to remain seated while expounding the details of Wellcome's drugs research. He starts to pace around when the conversation turns to balance sheet gearing, cash flow and credit control. "Everyone around here understands," he says, "that if you've got money locked up in working capital, you can't use it to build factories."

Down at the works in Dartford, east of London, the impression is reinforced. Bob Devereux, director in charge of production, says: "Ten years ago, you could make a good career in Wellcome from being purely a good chemist, or a good engineer. Five years ago that wasn't enough—you had to be a good manager as well. Now comes stage three—being not just a manager, but a businessman. Our people have to get out into the field, handle negotiations, get their feet wet."

The gap between the image and reality may be a matter of time-lag. Plainly, the group has become commercially sharper in recent years—as testified last month by a 65 per cent jump in interim profits. On the other hand, the old non-commercial image may have had some justification.

"When you look at the products Wellcome has in its cupboard," says one rival executive, "the range is astounding—not just in breadth, but in depth as well. And when you look at the size of the business in sales terms, they just don't seem to be making enough of what they've got."

The cynic might deduce that the sharper image Wellcome now projects is part of the hype leading to a stock market introduction. But Wellcome, after all, has very little to gain from the flotation since its owner, the Wellcome Trust, will net the entire proceeds of the sale. The trust, a charitable entity wholly separate from the company, has decided to widen the sources of its income.

Again, it is in the nature of drugs firms, with their immensely long lead-times on research projects, to be slow-moving. Alfred Shepperd is very clear that the reforming of the group's financial position has been a long process. "When I joined as finance director 13 years ago," he says, "balance sheet gearing was 70 per cent. Now it's 20 per cent. That's not easy when you're a private company without access to equity finance."

The sharper attitude to the handling of drug research—Wellcome's biggest asset, respected around the world—may have much to do with a study commissioned two years ago from management consultants Arthur D. Little.

The management of drug research—setting the balance between commercial goals and the scientist's search for pure knowledge—is one of the trickiest tasks pharmaceutical companies have to face. It was precisely this problem which Arthur D. Little was commissioned to report on, with apparently far-reaching results.

Only months ago, Wellcome had on its strength two of the most eminent drug researchers in the world: research director Sir John Vane — the first industrial scientist ever to receive the Nobel Prize for Medicine, for his worth with Wellcome on prostaglandins—and Sir James Black, a legendary figure who discovered the world's two best-selling prescription drugs, Smith Kline's Tagamet and ICI's Inderal.

Sir James has now left, and Sir John leaves in September. Wellcome has little to say about this, beyond emphasising that relations with both men remain good, and that scientific links have not been wholly severed.

Wellcome's research staff make another point, underlining the very long lead times in the drug industry. Sir John joined the company in 1973, and Sir James in 1978. Wellcome's products presently on the market — and, indeed, many of those in the last stages of development — had their origins with an earlier generation of researchers, particularly with the ex-research director George Hitchings. There is the intriguing implication that contributions made by the two departing scientists are further down the pipeline again, to come to light in subsequent years.

Present development activity, says Wellcome, is at record levels, in terms both of products and of numbers of research staff. But although the group is now more forthcoming about the make-up of existing sales (see charts), it is reticent about what the development pipeline contains. Fortunately, a recently published study from stockbrokers Wood Mackenzie provides a picture—conceded by Wellcome to be essentially accurate—of what products can be expected from the company in the future.

Previous areas of strength such as cough and cold remedies and tropical medicines are to be defended by new products, and three big new areas for the group — painkillers, prostaglandins and treatments for the central nervous system —should each be represented in the portfolio in the next few years.

Other big areas being worked on are anti-viral drugs (a massive market, still only being scratched by the likes of Zovirax, Wellcome's own highly successful anti-herpes treatment) and anti-cancer drugs. Wood, Mackenzie reckons, however, that Wellcome is devoting less energy to another vital area, anti-bacterials, perhaps preferring to "license in" new products from rival companies.

Wood Mackenzie concludes that although the range is wide, there are unlikely to be any blockbusters on the horizon. The drug with the largest market potential may be an anti-viral treatment—unromantically dubbed BW-515U—which could be on the market by 1987 with a sales potential, say the brokers, of £50m.

In the past 18 months Wellcome's profit performance has been outstanding—in growth terms, higher even than stock market favourite Glaxo. This should ensure that the group's flotation early next year will in stock market terms be a major event.

Preliminary estimates put Wellcome's total market value at around £1.5bn, implying a £300m price tag for the initial 20 per cent offering (the eventual aim is to sell up to 50 per cent). Much depends, of course, on whether the present general nervousness in the UK stock market proved to be temporary.

Another intriguing angle is the attitude taken by Wellcome's rivals. The group's product portfolio and research strengths are a goldmine for competitors—a fact evidently considered by Wellcome in its recent attempt to have shareholdings restricted to 10 per cent of the total (ruled out of order by the Stock Exchange). The group's owner, the Wellcome Trust, would doubtless block an outright takeover; but rivals might seek to build up stakes in Wellcome as a means of forging closer links.

Wellcome is adamant, though, that one thing will not change as a result of going public—the group's commercial approach. "Someone recently asked me," says Alfred Shepperd, "whether we would have to change our ways as a listed company. My answer was—why lower our standards."

U.S. lawyers

Priced into the market

BY FRANK LIPSIUS

LAST WEEK in Washington, at the beginning of a two part American Bar Association (ABA) convention that has continued this week in London, President Reagan got a big laugh for greeting participants to "the last tax deductible" ABA convention. It was not just tax lawyers who got the joke about the proposed revisions of American tax law regarding working holidays. Lawyers generally are becoming more and more aware of the growing business aspect of their profession.

Competition is eroding what was once considered the enduring loyalty in the totally private, if not self effacing, relations between clients and lawyers. Advertising, as used by the "bottom end" on a contingency basis (illegal in Britain) is the most glaring evidence of the new environment. Though used by a tiny proportion of the profession, advertising has been called into question for pitches like the firm that produced a matchbook cover with the figure of blind justice pointing to the line, "free consultation," or another in the New York underground with the headline, "Had an accident?"

What the U.S. Supreme court decision allowing lawyers to advertise did in 1977 was to inspire the Woolworth end of the law to adopt this form of publicity. The Tiffany end tended to stand aloof. But The American Lawyer, a New York monthly started in 1979 and owned in part by the Associated Newspapers group, is influencing entrenched attitudes by the publication of a lawyers' league table called The Top Law 50, which it promises will be an annual event.

The American Lawyer editor, Steven Brill, himself a lawyer who knew he was scaling a brick wall of silence when he started the magazine, gradually won the acquiescence if not the love of the profession. His Am Law 50 chart itself required the work of 13 staffers for three months to get information. When not from the firms themselves, it comes from clients, court records and former partners. More surprising than the need to dig was the co-operation obtained from a majority of the firms.

"By charging so much," reasons Brill, "lawyers have priced themselves into the marketplace and have to compete for business by giving service for their high fees. Most good professionals welcome it. The better ones end up doing better; the mediocre are in trouble."

The Am Law 50 shows that top firm income ranges from $129m for number one, the takeover specialists Skadden, Arps, Slate, Beagher & Flom, to $44m for ex-President Nixon's old firm, Mudge Rose Guthrie Alexander & Ferdon. The calculations that measure profitability more than size put Wachtell, Lipton, Rosen & Katz, another takeover specialist, first in profits per partner with $795,000 compared to less than $200,000 per partner at the bottom of the list.

Skills

If these be crude measures of a professional man's worth, they are increasingly eyed not only by law-school graduates but also by partners themselves as they develop management skills for their behemoth practices. The convention included in this week's programme sessions not only on expected subjects like anti-trust, wills and estates, but on law-office management, the marketing of legal service and malpractice.

Law firms are not just being treated as a business, they are also acting like it. Major firms are splitting up as whole departments, like the real estate or tax group, to move together to another firm. Where firms used to cultivate promotion from within to encourage hard work and patience among associates vying for partnerships, now firms rely on "lateral" appointments in order to grow, especially into other cities or fields.

Such changes jeopardise the traditional t apprenticeship assumptions on which firms are built. A key measure of law-firm efficiency is the partner-associate ratio. New recruits may seem well paid at $50,000 for their first year in practice, but the firm charges them out to clients at $250,000 a year, based on an average hourly charge of $130 and a very modest 2,000-hour year. Among the rules of profitability is "The partner has to get the client to take whomever he sends as good as himself."

Though America has a reputation going back to De Tocqueville as a lawyer-heavy litigious society, there was always room to absorb more lawyers in the profession. High salaries paid to the few thousand Wall Street associates belies a growing surfeit of lawyers, the 600,000 of whom now make a buyer5s market for legal services.

Even major firms are "capping" fees at the request of cost-conscious clients. Firms specialising in take-overs have catapulted to the top of the charts because theirs is one area where lawyers, as much as they get, are still basically only being paid by the hour when the brokers and bankers are earning a percentage on the deal and may be doing little more than the lawyers.

The Wall Street firms traditionally helped associates who did not become partners find jobs as in-house counsel to clients, making for large in-house corporate law departments while retaining some residual loyalty to the firms. The firms then became specialists and charged more. Once the former associates swtched loyalties and firms were no longer general counsel but hired hands, corporations tended to shop around to fit the firms to the needs at the time.

AT&T has an in-house staff—about 420—that rivals in size the major firms, but companies have been levelling off their growth, while the major firms continue to spew associates into the marketplace after their eight- to 10-year stints.

The Wall Street firm of Sullivan and Cromwell lets associates leave with pieces of business, underlining its reputation for having more clients than it can handle. But its reluctantly-established mergers and acquisitions department, begun in the mid 1970s, was a direct response to the needs and demands of investment-banking and corporate clients, if not directly to the looming presence of the marketplace, which no American law firm dare ignore altogether anymore.

THE ARTS

Arts Week

F	S	Su	M	Tu	W	Th
19	20	21	22	23	24	25

Exhibitions

LONDON

The Tate Gallery: Francis Bacon, Britain's greatest living painter accorded the rare distinction at the age of 76 of a second full retrospective exhibition at the Tate, 20 years after his reputation as an artist of world standing was first put beyond all doubt. Now we see him no longer as a unique and extraordinary figurative, surrealist expressionist, but as an artist who has come at last into his own, as younger painters have come round again to the human figure as the central, creative preoccupation. As the subject matter is now more acceptable, so his peculiar and tormented re-invention and reconstitution of the figure no longer shocks. Ends Aug 18.

PARIS

Renoir: An important exhibition of the most sensuous of the impressionist painters, who never tired of glorifying the nude feminine body capturing the light, comes to Paris from the Hayward Gallery, London. It consists of some 125 paintings and 50 Drawings, including Le Bal du Moulin de la Galette and La Danse à Bougival. Grand Palais, Closed Tue. Ends Sept 2 (261 5410)

Robert and Sonia Delaunay: for the 100th anniversary of their births, his in Paris and hers in the Ukraine, a retrospective of some 300 objects, paintings, drawings and decorative projects brings to life their joint pictorial adventure. Whether exploring abstract painting or disarticulating Eiffel Tower images, their colours are vibrant, their *joie de vivre* explosive. Musée d'Art Moderne, 11 ave du Président Wilson. Closed Mon, Wed late closing. Ends Sept 8.

Perfume: An enchanting exhibition in praise of perfume assembles 550 objects, mostly phials, bottles and perfume fountains from the 16th to the 19th century. Some were made of Viennese porcelain, others of Bohemian cut glass or from gold and enamel in England. There are silver pomanders with petals opening up and Chelsea china statuettes. They all show exquisite workmanship and some of perfume's power to beguile. Le Louvre des Antiquaires, 2 Place Palais Royal. Ends Sept 15.

WEST GERMANY

Munich, Staatsgalerie, moderner Kunst, Prinzregentenstr. 1: German Art since 1960, 200 paintings, prints and drawings by 13 artists from the private collection of the German Prince Franz of Bavaria. Among them: Beuys, Richter and Kiefer. Ends Sept 15.

Bonn: Rheinisches Landesmuseum, Colmantstr. 14 5300. Fairy-tales, Myths, and Monsters. 43 works by 22 European artists, among them Messager, Paladino, Schmalix, Tatafiore and Wawrin. Ends July 28.

Berlin, Gropius Bau, Stresemannstr. 110 Berlin 61: Treasures of the Forbidden Cities. Timed to coincide with this year's Berlin Horizon 85, the Peking Palace museum is coming to Europe for the first time, with roughly 120 works covering 3,500 years of Chinese history. The exhibition in Berlin includes gold, and jade, paintings, porcelain, musical instruments and calligraphs. Ends August 18.

Hildesheim, Römer und Pelizaeus-Museum, Am Steine 1-2: Nofret, the exhibition covering Women in Egypt. For its last stop in Germany, the exhibition will carry 177 pieces, an extra 96. Some 30 objects are on loan from the Egyptian Museum in East Berlin. It is the biggest assembly of Pharoan Art. Ends Nov. 85.

Emden, Backhuysen-Gsellschaft, Rathaus am Delft: Franz Radziwill. To honour the late Franz Radziwill on the 90th anniversary of his birth the Backhuysen-Gesellschaft is exhibiting most of his major coastal works. Ends July 28.

Berlin, Nationalgalerie, Potsdamer Straße 50: New acquisitions '75-'85, offer 500 works from between 1820 to 1985. Some 300 important artists participate. Ends Aug 25.

BRUSSELS

Opera costumes from 1959 to the present including Zeffirelli's Rigoletto, Bosquet's Traviata and Karl Ernst Herreman's Clemency of Titus. Musée de Costumes et Dentelle. Until November.

Tony Cragg – a major exhibition of one of Britain's contemporary sculptors. Palais des Beaux Arts. Ends July 28.

ITALY

Florence: Museo Archeologico (Piazza SS. Annunziata) – The Etruscan Civilization: This is the first of a long series of exhibitions to mark The Year of the Etruscans, and shows the results of the most recent research into the Etruscan world. A useful history of this civilization's birth, development and decline. Ends Oct 20.

Rome, Palazzo Venezia: Five Centuries of Music Publishing in Europe organized to mark European music year, and the fourth centenary of the founding of the Academy of Saint Cecilia, whose library has provided the bulk of the fascinating material. The time span and the number of manuscripts (and paintings) is enormous (roughly one room per century), but a useful shortened route has been provided through a series of attractive arched pavillions, containing the cream of the music publications of each period. Ends July 31.

Rome, Villa la Farnesina (Via della Lungara 230) and Calcografia Nazionale (Via della Stamperia 6). Raphael Invenit: A large collection of prints of exceptional quality by Raphael's followers and admirers, from the earliest, by Marcantonio Raimondi, done in Raphael's workshop, to the late 18th and early 19th centuries. Particularly interesting is the first section (containing mainly 16th century works) in the Villa Farnesina, where one can compare the prints with Raphael's glorious original frescoes in the loggia. The second section, in the Calcografia, contains mainly later prints of the frescoes from the Stanza della Segnature in the Vatican. Ends July 30.

Milan: Palazzo Reale: George Grosz: The Berlin Years: Fierce and anguished paintings from the period 1917 to 1933. Ends July 28.

Florence: Palazzo Pitti (Sala Bianca): Modern masters from the Thyssen-Bornemisza collection: The pleasure to be had from this remarkable exhibition is that it reflects the taste and prejudices of one individual: one of the few left who can afford Corot, Manet, Gauguin, Picasso – and who is generous enough to send them to be exhibited in France, England, the U.S., Australia, Japan, and now Italy. This same collection, with a few exceptions, was seen at the Royal Academy in London last autumn. Ends Sept 29.

SPAIN

Madrid: Palacio de Cristal and Palacio Velazquez, Parque del Retiro: Spanish sculpture 1900-36. Sculpture and drawings by Picasso, Miro and contemporaries. The selection includes two works featured in the 1937 Paris exhibition, at the height of the Spanish Civil War, and now shown in Spain for the first time: Picasso's Femme du Vas and Julio Gonzalez's La Montserrat. Ends July 30. (274 7775).

Santander, Paintings and sculpture by modern Spanish artists, Antonio Lopez, Andreu Alfaro, Antonio Saura, Eduardo Chillida. Fundacion Marcelino Botin, Santander. Ends Aug 9.

SWITZERLAND

Martigny: Fondation Pierre Gianadda: 250 Klee paintings in the striking modern gallery built over the Roman ruins of the city of Octodurus. Ends Nov 3. (026/23978).

VIENNA

Vienna 1870–1930: Dream and Reality: The greatest names of the Viennese fin-de-siècle – Klimt, Otto Wagner, Schiele, Kokoshka, Aldolf Loos, Josef Hoffman – in a dazzling display of Jugendstil creative genius. The attempt to integrate the artistic achievements of this era with philosophical developments (notably Wittgenstein but also Freud) and political transformations (the emergence of municipal socialism on the ruins of Baroque splendour) is ambitious and only partly successful. The complex tension between autocratic and censored reality on the one hand and the illusions or fantasies of individual artists on the other is hinted at but not fully explored. A high point of the show is a reconstruction of Hoffman's room at the secession exhibition of 1902. Here, triumphantly restored, is Klimt's fifty-foot Beethoven frieze depicting humanity's progress through suffering to joy on the theme of the Ninth Symphony. Displayed exactly as intended, this alone is worth a special visit. Kunstlerhaus. Ends October 6.

NEW YORK

Metropolitan Museum: 30 objects from the period between the 1851 Crystal Palace Exhibition to the 1900 World Fair in Paris demonstrate the show's theme of Revivals and Explorations in European decorative arts. Ends Sept 5.

WASHINGTON

National Gallery. Ancient Art of the American Woodland Indians includes 151 pieces covering 5,000 years of sculpture, ceramics, copper and shell objects of the native Americans who lived in what is now the eastern half of the U.S. Ends Aug 4.

National Gallery (West Bldg): 36 old master paintings from the Dulwich Picture Gallery are exhibited under the title Collection for a King, including works by Rembrandt, Van Dyck, Canaletto and Gainsborough. Ends Sept 2.

CHICAGO

Art Institute: Though Edouard Manet made etchings primarily to reproduce and publicize his paintings, he developed a unique style as shown in the 27 etchings in this special exhibit of more than a third of his total output of 75 etchings. Ends Sept 2.

TOKYO

Qing Dynasty Tresaures from the Forbidden City, Peking. An important exhibition of 273 pieces showing the opulence and craftsmanship of the Qing Dynasty (1644-1912). Costumes, ornaments, ceramics, paintings plus imperial banquet room-setting, all magnificently displayed in Tokyo's best department store art museum. Seibu Department Store, Ikebukuro Branch. Ends Aug 26, closed Thursdays.

Masterpieces from Idemitsu Art Gallery: From one of Tokyo's finest private museums belonging to Sazo Idemitsu, the best from an outstanding collection of Oriental ceramics, crafts and paintings. Idemitsu Art Museum, 9th floor of Kokusai Bld, Hibiya. With magnificent views overlooking Tokyo's tranquil central (moat and green around Imperial Palace) plus Japanese tea-room. Ends Sept 1, closed Mondays.

Kabuki Actors in Ukiyoe: Exemplifying the close relation between 17th century theatre and print art in which Kabuki actors, artists and the "geisha" industry belonged to the same social strata (low). While capturing a romantic past, the prints also recall the paradox of disapproving official policy and the leniency which permitted this demi-monde to flourish. Such contradictions bewildering to foreigners are typical of modern-day Japan too, and said to originate in Zen. Riccar Art Musum. New Riccar Bld (7th Fl.) near International Arcande, Hibiya. Ends July 28, closed Mondays.

Music

LONDON

Brigitte Fassbaender, mezzo soprano, accompanied by Irwin Gage. Schumann, Berg und R. Strauss. Wigmore Hall (Mon). (935 2141).

BBC Symphony Orchestra and Chorus conducted by Sir John Pritchard. With Alison Hargan, soprano, Sarah Walker, mezzo and David Wilson-Johnson, baritone. Sessions and Mahler. Royal Albert Hall (Mon). (589 8212).

PARIS

La Grande Ecurie et la Chambre du Roy with Rene Jacobs as conductor and counter tenor, Hans Goverts, harpsichord: Bach, Handel (Mon 8.30pm). Saint-Severin Church.

Sylvie Carbonnel, piano: One hour with Beethoven (Tue 6.30pm). Sorbonne, Amphitheatre Richelieu.

ITALY

Turin: Teatro Regio: The Italian Youth Orchestra conducted by Piero Bellugi. Beethoven, Bartok and Mahler (Tue). (548 000).

Verona: Chiesa Inferiore di S. Fermo: Harpsichord music by Scarlatti, Bach and Handel, played by Gordon Murray (Wed 6pm).

NETHERLANDS

Amsterdam, Nieuwe Kerk (Dam Square). Organ recital by Bernard Winsemius. Couperin, Vierne, Alain (Thur).

Scheveningen, Circus Theatre. National New Zealand Brass Band, with Maori dancers (Tue). (55 88 00).

NEW YORK

Mostly Mozart Festival (Avery Fisher): Mozart Festival Orchestra conducted by David Zinman with Alicia de Larrocha, pianist; and Milan Turkovic, bassoonist: J.C. Bach, Mozart, Haydn (Mon, Wed); Emerson Quartet with Garrick Ohlsson, piano; and Milan Turkovic, bassoon: Mozart, Danzi, Beethoven (Tue); Peter Serkin, piano: Stravinsky, Mozart, Bach (Thur). Lincoln Center (874 2424).

CHICAGO

Ravinia Festival (Highland Park): Beaux Arts Trio: Haydn, Mendelssohn, Ravel (Mon); Brahms, Mozart, Schubert (Tue); London Symphony Orchestra, Neville Marriner conducting; John Browning, piano; Verdi, Mozart, Rachmaninoff (Wed); Chicago Symphony Orchestra conducted by James Conlon with Young Uck Kim, violin: Stravinsky, Mendelssohn, Dvorak (Thur). Highland Park (728 4642).

TOKYO

Kiri Piano Quintet: Dohnanyi, Schumann, Schumidt. Toshi Center Hall (walking distance from New Otani and Akasaka Prince Hotels). (Mon). (571 1689).

Takayoshi Wanami (violin): All-Bach recital. Ishibashi Memorial Hall. (Wed). (571 1689).

Opera and Ballet

LONDON

Royal Opera House, Covent Garden: The Royal Ballet follows six Swan Lakes with La Fille mal gardée on Wednesday. (240 1066).

Coliseum: London Festival Ballet in Ashton's Romeo and Juliet. (836 3161).

PARIS

Robert le Diable alternates with Solrée de Ballets and with Tosca. Conducted by James Conlon with Raina Kabaivanska in the title role and Giacomo Aragall in that of Cavaradossi. Paris Opèra (266 5022).

WEST GERMANY

Stuttgart, Württembergische Staatsoper: Falstaff, sung in Italian, has fine interpretations by Karen Armstrong, Marjana Lipevsek and Guillermo Sarabia. It is conducted by Silvio Varviso. End of season, new season opens on Aug 31 (20321).

ITALY

Rome, Terme di Caracalla (Rome Opera Summer Season): Turandot, conducted by Daniel Oren, produced (and with scenery and costumes) by Sylvano Bussotti. Gwynneth Jones alternates with Galina Savova in the title role. Diana Soviero and Miwako Matsumoto in the role of Liu, and Nicola Martinucci and Corneliu Murgu as Calaf. (Tue). (461755).

SPAIN

Barcelona: Casa De La Caridad. Centre Choreographique National de Montpellier, Compagnie Dominique Bagouet in Deserts d'Amour with music by Mozart and Tristan Murail. (Mon, Tue, Wed, Thu). (318 2525).

NEW YORK

The Berlin Ballet (Metropolitan Opera House): Roland Petit's new Blue Angel, in which he stars with Natalia Makarova, comes direct from the world premiere in Berlin for a two-week engagement. Lincoln Center (362 2000).

WASHINGTON

Kabuki Medea (Terrace): This Japanese version of Euripedes is presented by the American National Theatre and Wisdom Bridge Theatre. Kennedy Center (254 9895).

TOKYO

Bolshoi Ballet: Miscellany of favourite pieces from the repertoire. Tokyo Bunka Kaikan. (Mon). (234 7207).

Ballet Flamenco de Andalcia: *Homenaaje a Enrique, Estudio de Solea.* Joint performances by Japanese Flamenco ensemble led by Yoko Komatsubare and dancers from Andalcia, Spain. Outdoor in Hibiya Park (walking distance from Imperial Hotel and Sinza). (Thur). (237 9999; 980 6060).

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans on tour with a third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance on indiscriminate rushing around. Disneyland, Star Wars and Cats are all influences. Pastiche score nods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a genuine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Tenth Avenue. (437 6834).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza has been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

Me and My Girl (Adelphi): Sleek, efficient and enjoyable revival of Britain's biggest war-time musical hit with Robert Lindsay in the Lupino Lane role emerging as the best new musical star since Michael Crawford. (836 7611).

The Government Inspector (Olivier): Striking but unfunny revival with under-equipped TV comic Rik Mayall playing the poseur as a shrieking nose-picker. Richard Eyre's production for the NT lacks either comic tension or true delirium but, with John Gunter's imposing design of bureaucratic bumf, the show has a sort of monumental starkness as well as nightmarish tedium. New translation by Adrian Mitchell. (928 2252).

Barnum (Victoria Palace): Michael Crawford returns to London with his breathtaking performance as the circus impresario, adding one or two new tricks in a likeable meringue of a musical. (834 1317, credit cards 828 4735).

Jumpers (Aldwych): Confident almost sober revival of Tom Stoppard's glittering comedy of love, murder and linguistic mayhem among the logical positivists, with Paul Eddington a more earth bound George Moore II than was Michael Hordern, Felicity Kendal delightful as his retired musical comedy wife. Peter Wood directs. (836 6404, credit cards 379 6233).

Richard III (Barbican): Last year's Stratford-upon-Avon production with Antony Sher demonically exciting as Richard in the RSC revival by Bill Alexander. Plays in repertory with Roger Rees as Hamlet and Kenneth Branagh as Henry V. All worth seeing. (628 8795, credit cards 638 8891).

Pravda (Olivier): Entertaining epic new play by David Hare and Howard Brenton for the National Theatre in which an unscrupulous South African magnate acquires Britain's most prestigious newspaper. A Jonsonian satire on the grand scale with an irresistible performance by Anthony Hopkins as the colonial who penetrates the Establishment while a nation dithers. (928 2252).

Waste (Lyric): Deserved transfer to Shaftesbury Avenue for the RSC's fine Harley Granville play about a politician ruined by sex scandal. Daniel Massey and Judi Dench head John Barton's production. (437 3686).

NETHERLANDS

Amsterdam Stadsschouwburg, The English-Speaking Theatre of Amsterdam with G.A. Bredero's Spanish Brabanter in the translation by H. David Brumble III. Directed by John Hartnett, with guest actor Jules Croiset as Jerolimo and Craig Eubanks as his servant. An effervescent comedy by the great 17th-century Dutch dramatist (Mon to Thur). 24 23 11)

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to trendy music is visually startling and choreographically feline, but classic only in the sense of a rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, à la Supremes, without the quality of their music. (239 6200).

Brighton Beach Memoirs (46th St): The first instalment of Neil Simon's mix of memories and jokes focuses on a Depression-era Jewish household where young Eugene falls awkwardly in love with his cousin. (221 1211).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

WASHINGTON

Count of Monte Cristo (Eisenhower): The second production of Peter Sellars' new American National Theatre company is the James O'Neill version of this swashbuckler. (254 3670).

TOKYO

Man of La Mancha (The Japanese version). Directed by Takao Nakamura, starring Koshiro Matsumoto. Performances also on Sundays. Imperial Theatre, near Imperial Hotel, Hibiya. (213 7221).

THE ARTS

Cinema/Paul Taylor

Sharp edge of a bloated yarn

The Life And Death Of Colonel Blimp directed by Michael Powell and Emeric Pressburger
Diary For My Children directed by Marta Meszaros
The Coca-Cola Kid directed by Dusan Makavejev

The strictly wonderful "Life and Death of Colonel Blimp"

"What is it *really* about?" queried reviewer C. A. Lejeune of Michael Powell and Emeric Pressburger's magnificently enigmatic epic, *The Life and Death of Colonel Blimp*, back in 1943. The question — posed at a time when both Churchill's government and Britain's cultural guardians treated with suspicion any departure from the reductionist tenets of realism — now seems, or should seem, quaint. The film, relaunched after painstaking archival reconstruction in a stunning new Technicolor print, seems anything but.

Blimp offers no mere nostalgic complement to the bloated yarns of Empire and period-pretty country-house sagas that have predictably clogged much of British Film Year. Pointedly re-presented as one of the key works of its unique writer/producer/director team (and therefore of the similarly underrated native cinema of wonder), it fronts a demand that questions like Ms Lejeune's be unpacked of their basic assumptions about what British Cinema may permissibly be.

The fantasy of *Blimp* is less about escapism than about essence. Its narrative encompasses 40 years of the life and soldiering times of Major General Clive Wynne-Candy VC (Roger Livesey), in flashback from his symbolic "death" in 1943—the moment of apparent defeat for his defining values, and the one point in the film where the character is visually "matched" to the David Low cartoon figure of the title. Its progress is marked by three historical moments when the gentlemanly complacency of both Candy and his country is challenged by conflict: moments brought into productively allusive and allegorical focus by Candy's enduring friendship with German officer-cum-refugee Kretschmar-Schuldorff (Anton Walbrook) and his elusive relationships with three women (each played by Deborah Kerr).

Any isolated sequence could serve to exemplify the audacious plenitude of *Blimp*, but the very first static image from the opening titles might suffice: a heraldic tapestry of an eccentric figure on a horse, at once aptly evoking Bayeux, St George, Quixote and Blimp. Two-and-three-quarter hours of similar, seriously playful structuring of ideas and images ensues, all of it, in the strictest sense of the word, wonderful. Really.

★

An advance screening of *Blimp* has been one of the first-week highlights of the 9th Cambridge Film Festival, which continues with its judiciously eclectic mix of local premieres, national previews and retrospective shows until July 28. Partly a celebratory adjunct to year-round initiatives in intelligent programming (at the Arts Cinema), and partly a site for genuine "only-chance" viewings, the Cambridge event has rapidly consolidated its status under the guidance of Tony Jones, and is this year confidently mounting comprehensive tributes to Francesco Rosi and Percy Adlon. New features from the likes of John Frankenheimer, Susan Seidelman and Woody Allen also spice the upcoming programme (full details on 0223 352001) before Nicholas Roeg's *Insignificance* closes the festival with a welcome reaffirmation of the pyrotechnic potentials of the British cinematic imagination. and a great line in titular self-assertion.

★

Much laurelled on last year's festival circuit, to which the Hungarian authorities finally allowed it access some two years after its completion, *Diary For My Children* represents an odd and troubling, if yet broadly predictable, breakthrough film for Marta Meszaros. An autobiographical basis and a controversial explicitness about its critique of post-war Hungarian politics provide handy hooks for advocacy, but seem to cut across the cooly empathetic strengths of the director's earlier, observationally intimist dramas. Devotees of *Adoption*, *Nine Months* or *The Two of Them*, each marked by a sort of matter-of-fact feminism, almost as a consequence of their unforced naturalism and contemporary settings, might well be surprised, for instance, to find Meszaros' annotations of the bleak and frightening years between 1947 and 1953, lived under the shadow of Stalinism, cast in the form of a girl's shuffling of potential surrogate fathers.

Meszaros inscribes herself in the film as *Juli*, a teenager orphaned in the USSR (her scultpor father having fallen victim to the pre-war purges), and now returned to her Budapest birthplace to an adoptive family set-up sustained by elitist Party privilege, against which she soon stubbornly kicks. Solace initially emerges from an addiction to cinema (an effective mockery of her hard-line aunt's 'vigilance'), then from relationships outside the charmed, correct circle. Juli treads on dangerous ground (more dangerous still for some with whom she forms a curious bond), but is clearly stumbling towards some sort of maturity, of oppositionalism, of independence. *Diary's* sequels, projected to take Juli's story through to 1956 and 1968, will be anticipated with no little impatience.

★

The Coca-Cola Kid, by contrast, can hardly fade from the mind quickly enough Making even Werner Herzog's recent Australian folly *Where The Green Ants Dream* look both profound and profoundly comic, this is Dusan Makavejev Down Under with a quarter-wit satire on corporate capitalism and its crustily cuddly competition (Soft Drinks Division), hanging bauble-bright 'anarchic' diversions and an insurance-policy ogling of Greta Scacchi's body along its limp gag-string before turning disinterestedly apocalyptic.

Lulu/Munich Opera Festival

David Murray

Now that *Lulu*, left unfinished when Alban Berg died in 1935, has been faithfully completed by Friedrich Cerha, productions of the opera are springing up everywhere. As well they might: *Lulu* is a masterpiece, but we needed the missing last act to reveal its full breadth and depth. Though the Bavarian State Opera has climbed on to the bandwagon later than some, it has thus been able to cast from the new international pool of *Lulu*-players; and it has Cerha himself, conducting his own realisation of the score for the first time.

Above it has Catherine Malfitane's Lulu, a dazzling creature whose charms are almost too generously celebrated by Jean-Pierre Ponnelle's production. The role used to be thought impossible to fulfil: Lulu needs the physical allure of an amoral nymph, confident high coloratura, a sexy middle register, polished farce technique and the lyrical subtlety of a real *Liedersängerin*. Miss Malfitano has all that, and also she can dance; she is uncanny. All she lacks is the vulnerability that is needed to turn the final act into authentic tragedy. and there I think it is Ponnelle who has let her down.

The production is so heavily stylish as to be lightweight. The single set consists of four tiers of balconies, each with ten panelled doors, flanked by spiral fire-escape stairs. The structure suggests equally a theatre interior, a hospital, a prison, a tenament; what could be more cleverly apt? There is even room for Lulu to make a circus entrance down a rope, and Pet Halmen's costumes confirm the circus clue. Except for Lulu everyone is in basic white — dirty white for the scruffier characters (the supernumeraries even have white bandaged faces) — with touches of colour to mark individual quirks. Lulu alone is in lurid red, insofar as she wears *anything* much, with Tabasco-tinted hair in cioffures from wild mane to demi-mondaine to London punk.

The effect is to isolate her from any vital contact with anybody: Ponnelle's vision is of *Lulu-as-myth*. Alwa *hymns* her ankles and knees at a respectful distance, from which in fact he cannot see those delightful portions of the lady — she is wrapped in her own portrait-on-canvas at the time. The fateful portrait becomes a real painting only when circumstances absolutely require it; it is not a portrait of Lulu *als tänzerin*, but a hazy Kitsch face mostly spread across the panels of the entire backwall. (the Artist is first seen working distractedly at a huge right nostril).

Bourgeois reality disappears, though that is what Wedekind's Lulu should be subverting, and Berg was so careful to preserve the Wedekind world that he kept a lot of unsingable spoken chat in his opera. The set works least well when it has to be Dr *Schön's comfortable mansion*, and Franz Mazura's agonised Schön (excellently sung) shudders away in a social void. I remember Günter Reich's harassed businessman at Covent Garden with renewed respect, and the solid context that Götz Friedrich gave him: that was grossly funny and cruel, where Ponnelle leaves room only for abstract melodrama. The descent here from sumptuous household to dust-covered dereliction makes no impression.

These are, however, complaints about the production, and no great opera is wholly at the mercy of a production. Mazura's Schön is still a sharply tragic figure, and Jacque Trussel's Alwa, mature but innocent, does better justice to his "hymn" and his monologues than most. Hans Hotter gives his seasoned, cheerfully creepy Schigolch again. and it is better than ever. Claes H. Ahnsjö's Artist is gracefully sung, if a bit faceless, and he makes a viciously bland Negro (Berg's prescribed role-doublings are respected).

The most deeply felt portrayal by far is Brigitte Fassbaender's lesbian Countess, which is by now no surprise. It is left to her to indicate the deep horrors of Act 3, after Ponnelle's awkwardly bitty, uncertain staging of the party-*scene and the only half-realised* dialogue between Lulu and the pimping Marquis. Helen Jungwirth's Schoolboy is a bright asset, and Alfred Kuhn is both a splendid huckster Animal trainer in the Prologue and a ripely effete Athlete in the rest of the opera.

This is the first time that Cerha has conducted any opera, though his work with the ensemble Die Reihe has long been admired. There were a few stiff passages — the music at the Artist's suicide, for example, was too solid to grab at one's nerves — and in general the febrile, subcutaneous thrills of the score were somewhat muted. But for chamber music lucidity and tenancious intellectual grasp of the music, Cerha's contribution is sovereign. In hands of such authority Berg's extraordinary creation, at once symphonically intricate and desperately appealing, speaks beautifully for itself.

Mutiny!/Piccadilly

Michael Coveney

Musicals have to be really good to justify an exclamation mark in the title. *Oliver!* and *Oklahoma!* pass this crucial test. *Twang!* and *Marilyn!*, most unmemorably, did not. Nor, I am afraid, will *Mutiny!*, a waddling witless fiasco from which you emerge, as every critic will say, humming the scenery partly for want of anything else to hum but chiefly because the scenery is indeed extravagantly, pointlessly, spectacular.

David Essex

The cast assemble on a bare stage, declaring their identities for the simple reason that nothing later in the show will do the job for them. It is 1787 and Fletcher Christian (David Essex) is joining an expedition to the South Seas led by his old friend William Bligh (Frank Finlay). They are to collect a consignment of breadfruit tree saplings, food for slaves. Bligh's bogus "captaincy" and Christian's dawning liberal resentment, after the Tahitian stop-off, at conniving in the slave trade, provide what may loosely be described as the dramatic tension leading to the split and the mutiny.

Richard Crane's book leaves no room for Laughtonesque displays of psychopathic blubbering (more's the pity), aiming for historical authenticity with passages of what sounds like Bligh's own diary and an exposition of the uprising as almost accidental. But the story is handled in a manner so inefficient that hunks of bleeding narrative information are still being thrown around in the last half hour.

I have no idea what it must be like to perform in *Mutiny!* but after sitting through it I felt in dire need of a bottle of Quells and a fortnight's inland holiday. William Dudley's design is a staggering feat of stage engineering the like of which has not been seen since the heyday of Victorian spectaculars at Drury Lane. But even then, there would have been no cantilevering system capable of floating an entire ship on a massive hydraulic ram driven yards into the Piccadilly's stage bowels.

After the opening minutes, the stage floor disintegrates and the Bounty rises majestically to meet the rigging and sails flown in from above. Throughout the evening the deck separates and rotates, divides and swivels, continuously reinforcing the sense of a journey and the authentic reconstruction of the Bounty viewed from every possible angle. It is all quite fantastic and thoroughly exhausting.

The problem is that you wonder why nobody falls overboard or faints from giddiness. Most nerve-racking of all, a few of the lads essay a little hornpipe while tilted at 30 degrees or so. This item, and an innocuous little hula-hula number on Tahiti, is all the choreography we have from Christopher Bruce; working on this set probably led him to heave more than his limbs over the rails. As for Michael Bogdanov's direction, there is nothing to say beyond the fact that actors stay on their feet and remember their lines.

The lyrics are unclaimed by anyone, which is *hardly* surprising given their daftness and incompetence. David Essex has written the score which ranges from very ordinary folksy recitative to blandly low-grade pop songs, none of them melodic or rhythmic, of the sort he interprets with that dimpled grin and croakily sob-strewn voice of little range. Frank Finlay barks eccentrically all over the place and anxiously negotiates a few notes taken at random.

The Tahitian music does not sound remotely Tahitian in spite of the booming bass voice of Frank Olegario as King Hiti-Hiti (or should it be Floppy-Floppy?) and the silken native girl (Sinitta Renet) who pricks Christian's political conscience by donating her body to him.

Apart from Mr Dudley's brilliant feats of engineering, the visual impact is akin to those television advertisements for fish fingers and coconut chocolate bars.

Rodrigo/Sadler's Wells

Max Loppert

Rodrigo (1707), which Handel Opera this week presents as part of the Handel Tercentary Festival, is Handel's first Italian opera — the first to be written to a wholly Italian text, the first to be produced in Italy (at Florence) for an Italian audience. Until recently it has been something of a mystery piece among Handel operas, being incomplete in its various autograph sources (Handel Opera gives the work in a very successful reconstruction by Anthony Hicks and Charles Farncombe) and being known to posterity under a useful, portable title that is not the authentic one (*Vincer se stesso è la maggior vittoria* — "Self-mastery is the greatest victory" — is the cumbersome original).

The illumination of Wednesday's performance lay as much in discovering what *Rodrigo* is not as in appreciating what it is. The electrifying perceptions about theatrical situation and psychological characterisation that were to lead Handel to his most brilliant short-circuiting of *seria* convention and formula are here no more than faintly hinted at. The plot, an almost impenetrable farrago of medieval Iberian doings, appears — at least in this near-complete, lengthly and *soi-disant* original-language account of it — to describe slowly repeating circles of action (the final act, in which the two leading couples make their successive reconciliations, both joint and several, was one of the places where mental fingers began to itch for the cutting scissors).

The Scarlattian model was still Handel's close working guide; and he responded to it with some beguiling examples of his best youthful lyricism (the Act 2 F minor air for the heroine Esilena touches genuine Handelian depths), with a couple of striking accompanied recitatives in Act 3, and with more than one passage in between that seems to achieve little more than energetic ticking-over. *Rodrigo* is a score that Handel later returned to raid, frequently and purposively. The experience of it is not a waste of time; but the punchy, sparkish semi-comedy of the next Italian opera, the Venetian *Agrippina*, feels a long way off.

A modern revival is obviously a difficult undertaking. Tom Hawkes, usually so reliable a Handel Opera producer, seems to have despaired of making it work except as superior village-hall spectacle. The designs by Peter Rice include some of the most ridiculous costumes and head-dresses seen on this stage for a long while, a touring company's *Gypsy Baron*, *Patience*, and *Trovatore wardrobes* subjected to frenetic mix-and-match; there is a deal of decorative filling-in, not as destructive — some interval voices argued—as the imposed business in the current Spitalfields *Alcina*, but messy and often meaningless. The arrival during the overture of the cast on a *Rodrigo*-bannered cart furiously mugging "Let's Make An Opera" intentions was an idea fortunately left undeveloped thereafter.

The standard of the singing, though far from unacceptable, *doesn't quite make up the* difference. One feels that Penelope Mackay (a brave last-minute occupant of the title role) and Janis Kelly (as Rodrigo's main rival) are better Handel actors than Handel singers; Marie Slorach and Sandra Dugdale as their love interest both improved after shaky starts to achieve poised, shapely lines. Though Ian Caley (Giuliano) was rough in bravura flourishes, it was pleasant to have some tenor relief from the prevailing high vocal pitch. Charles Farncombe held together with his usual good sense what sounded like an insufficiently rehearsed performance. Final showings tonight and tomorrow.

Ballet première

The world premiere of Wayne Eagling's first work for The Royal Ballet, *Frankenstein, The Modern Prometheus*, will take place at the Royal Opera House on July 26. It will be part of a tripple bill with *Birthday Offering* and *La Bayadere*.

With a commissioned score by Vangelis and sets and costumes by Emanuel, the work is sponsored by The Mathilda and Terence Kennedy Charitable Trust and the cast will include Alessandra Ferri, Stephen Jefferies and Jonathan Cope.

Royal Philharmonic/Barbican Hall

Andrew Clements

The Royal Philharmonic's French programme at the Barbican on Wednesday—part of the City of London Festival—brought Louis Fremaux back to London. He seems to have been a rare visitor since he departed the Birmingham orchestra in the late 1970s; as he demonstrated here, he conducts his native repertory with a good deal of common sense and straightforward clarity.

Despite its exemplary manners and well kept orchestral playing the concert took a while to come alive. The audience was small — what is it about even popular French music that seems to guarantee disaster at the box office? — and it was hard for the players to generate much sense of occasion. Somehow empty seats in the Barbican seem far more intrusive than they ever do on the South Bank; the orchestra becomes remote and detached *from the listeners*.

It was eventually Nobuko Imai's account of Berlioz's *Harold in Italy* that concentrated everyone's minds. Mr Frémaux had earlier directed an urgent, brassy *Roman Carnival* overture and a rather sedate exploration of Ravel's complete *Ma Mère l'Oye*. For a trance-like account of such an atmospheric score the solo playing really needs to be more polished than the RPO principals produced; here it became a progressively more soporific.

Harold in Italy is not the easiest work for a soloist to galvanise, but Miss Imai managed it at her first entry. She is a quite special viola player; it is hard to think of many others whose playing is so consistently thoughtful and superbly crafted. Here the incisiveness of her interjections in the first movement, the perfectly natural phrases of the Pilgrims' March and her contributions to the Serenade were all effortlessly memorable. Most poetic of all was the brief *envoi* at the climax of the *finale*, often skated over in the race to the finish; here it was precisely judged.

California Dog Fight/Bush

Martin Hoyle

Q: When can stereotyped characters, the odd dollop of cracker-barrel philosophy and a dose of predictable sentimentality add up to a funny and touching play?

A: When written with honesty and straightforwardness by Mark Lee, and produced by Simon Stokes in his Shepherds Bush outpost of promising new writing and beautifully drilled ensemble playing.

The weaknesses first. The two dog-owners who match their fighting beasts on an abandoned pear-farm in the sun-scorched Sacramento delta (those dead fruit trees are not a thousand symbolic miles from *The Petrified Forest*) are familiar types. The chivalrous Vern is the nice guy. He talks about caring, loves his dog and is a born loser whom John Shrapnel makes both likeable and credible. Rawley, played with throttled vocal chords and dark glasses by Stuart Wilson — a magnificently sinister presence — is a sharp dresser; a ruthless go-getter who cares for nobody — least of all Lillian, the wise-cracking croupière, sweltering in her tights and ruefully showing off the jewellery she has always had to buy herself.

Mr Lee writes funny and true dialogue (when he keeps off the subject of caring) which the cast relishes to the full. Deborah Norton, a robust actress whose strokes can sometimes spread into splodgy broadness, has never been better. Her Lillian faintly resembles Barbara Stanwyck: her drawling, throwaway delivery and carefully-judged timing are just right. Cliché or not, this good-hearted good-time girl, taking refuge in memories of the broken-down rodeo star she once loved, actually *matters*, as does Mr Shrapnel's Vern.

Each "handler" — a cross between a boxer's trainer and a duellist's second — is sharply etched. Daniel Webb's Pete is *an ambitious roughneck, clouting* the infatuated college student (Lizzy McInnerny) and unforgivably betting against his and Vern's dog, Big Boy ("I just wanna win a little"). Jimmy Chisholm's Skip, almost psychopathically aping his master Rawley, never quite convinces in the latent violence that nearly extends to murder. But the dogfight itself, each character inwardly commentating as the players circle tensely round the pit, is totally gripping. Grant Hicks's set is *southern discomfort to the* life; and Big Boy is played by Benext Beauson, a sturdy little snorter with sad eyes. Dog-lovers must be warned (I am one) not to blub at the end.

Saleroom/Antony Thorncroft

What's in a head?

A Roman marble female female figure of the first century AD, lacking an arm, a hand and a head, sold for £15,400 at Sotheby's antiquities sale yesterday. The price was twice the top estimate. All in all the two day auction was a mixed success, with a total of £806,894, but over 36 per cent bought in.

A group of South Italian vessels from the Greek city states made in the fourth century BC were not very popular, although one sold for £7,000. In contrast the front *from* a large Roman marble sarcophagus of the third century AD, depicting a loving couple united in death was on target at £22,000. A lot consisting of South Italian Greek armour of the fifth century BC did quite well yesterday, selling for £8,800.

As usual the coin sale at Sotheby's did better, with a morning total of £94,330 and jush 4.29 per cent unsold. A U.S. quarter dollar of 1825, a little bag marked, far exceeded *its £500 estimate at £2,69?*, while a broad triplethaler, struck to celebrate the Peace of Westphalia in Saxony in 1650, went for £1,705.

In the first session of Christie's decorative arts auction a 180-piece Acorn pattern table service by Georg Jensen tripled its forecast at £20,520. A Liberty silver tea set of 1901, with the design attributed to Archibald Knox, also exceeded expectation with a price of £9,180, as did a Hukin and Heath electroplated metal mounted glass claret jug, designed by Dr Christopher Dresser, in 1879; it sold for £6,480.

Christie's also held a print sale which totalled £120,047, with 16 per cent unsold. Twenty-six plates of arabesque decorations in the Vatican loggia, published in Rome around 1780 after Giovanni da Udine, sold for £16,200, on target.

Perhaps of more interest were 24 prints by Queen Victoria and Prince Albert, the majority produced by the Queen, which sold for £9,180. The royal couple were much taken by etching in 1840, and this group includes two of their rare depictions of *animals, a greyhound and a* terrier. Most are tchings of their daughter Victoria, the Princess Royal, who was born in 1840.

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Japan's trade in perspective

THE JAPANESE Prime Minister, Mr Yasuhiro Nakasone, is likely to receive a frosty reception when he arrives today in Brussels, to outline the package of import-promotion measures which he is due to unveil in Tokyo next week. European leaders are highly sceptical about the likely benefits for their own industries from any formal steps to liberalise Japan's trade. They are aware that, from a legalistic standpoint, the Japanese economy is already one of the most open in the world. They know that little tangible benefit has emerged from past import-promotion packages. And they suspect that mollifying protectionist sentiment in America will take a higher priority in Japan's trade policy than satisfying demands for greater market access from Europe.

All these perceptions are right. But the inference which many European leaders seem to be drawing from them—that tougher protectionist measures may have to be imposed against Japan if Mr Nakasone's liberalisation package fails to make significant inroads into its huge trade surpluses—is misguided and dangerous.

Politicians in Europe and America naturally find it tempting to conclude, from Japan's low tariff structure and relative lack of formal import controls, that the country's huge trade surpluses must result from some kind of conspiracy against foreigners among Japanese bureaucrats, businessmen and consumers. If this were really the case, then demands for immediate dismantling of "non-tariff barriers," backed up by serious threats of retaliation, would be fully justified. Japan's merchandise trade surplus, expected this year to rise from \$44bn to around \$50bn, is beginning to have a genuinely destabilising effect on the international systems of trade and finance; sooner or later it will have to be drastically reduced.

Traditions

Even the Nakasone government's standard excuse — that Japan's low import propensity is a product of deep-rooted traditions and lack of attention to cultural differences in the Western approach to marketing — would provide no argument for further forbearance by Japan's trading partners. If Japan expects to benefit from the free trading system built up by Western nations, it cannot expect its own traditions to be untouched by the experience.

This point is at the heart of the West's insistence that Japan must open up its protected agricultural and financial sectors to foreign competition, even if this means disrupting cherished ways of life in the countryside and weakening the government's ability to regulate the domestic financial system.

Clearly there are some things that Japan can do to promote imports. And every time a government department makes a decision which smacks of prejudice to foreign interests, like this week's refusal of a banking licence to Kleinwort Benson or the recent use of development aid to secure the Bosporus bridge project, it makes serious retaliation that much more likely. The fact remains, however, that Japanese protectionism and even Japanese culture are not the root causes of the vast imbalances in world trade today.

Japan's trade surplus of \$50bn this year is likely to be no larger, in relation to its Gross National Product, than the \$30bn projected by the OECD for Germany. Although Germany's merchandise trade surplus is partly offset by very large invisible outflows, due mainly to German residents' penchant for holidaying in the rest of Europe, neo-mercantilism in Germany may nevertheless be just as disruptive for the world economy as it is in Japan. For Germany's trade surpluses are reflected to a large extent in deficits in countries such as France, Italy and Belgium. For Japan, by contrast, roughly 80 per cent of the trade surplus is due to its huge surplus in trade with the U.S.

From the European standpoint this analysis suggests two conclusions. First, the Japanese are right to perceive their trade imbalance primarily as a problem in their relations with the U.S. This does not imply that Europe should be indifferent to Japan's trade surplus, but it does suggest a different approach to the problem. Japan's trade surplus is a consequence of the undervaluation of the yen against the dollar, but not necessarily against European currencies. The fundamental solution lies in a better balancing of macro-economic policies by the main industrialised countries which would have to include Germany, as well as the U.S. and Japan. That is the message which Europeans ought to be spelling out to Mr Nakasone; but first they will have to learn to understand it themselves.

Blow to Belgian recovery

THE RESIGNATION of the Belgian cabinet and its rejection by King Baudouin may one day be forgotten as the crisis that never was. One must hope so in the interests of the stability of Belgium and of its continued recovery from a disastrous economic situation at the start of the decade.

But at present there is reason to fear that the events of the past few days may have serious consequences. Open and at times malicious bickering among the members of the cabinet of Mr Wilfried Martens will not have helped public confidence in an administration that will have to go to the electorate in October on an intrinsically unpopular programme of economic austerity.

As it is, the Socialists have gained support in Wallonia, the home of the French-speaking Belgians, and of many of the country's blighted ageing industries, in reaction to government retrenchment. They have also espoused the cause of Walloon nationalism, adding to the historic tensions between Walloons and Dutch-speaking Flemings.

An enhanced role for the Socialists after the election could gravely complicate both economic and foreign policy for the Belgian Government. The Socialists oppose the deployment of cruise weapons in Belgium, in defiance of an agreement reached within Nato.

Because the majority of the Martens coalition is narrow and because the constituent parties are split not only along ideological lines but also into Flemish and Walloon parties, the election result in October may leave no way out other than bringing the Socialists into government. Belgium's experience with coalitions between parties of such different ideology as the Socialists and the Flemish and Walloon Christian Democrats has not been happy. In the present situation such an administration would be hamstrung.

For the moment as a result of the King's intervention continuity of both foreign and economic policy is assured. Flemish and Walloon Christian Democrats as well as Liberals are committed to the economic stabilisation programme. But in its weakened condition the Government may find it difficult to pursue a consistent line.

Two subjects have to be tackled before the dissolution. Some loose ends need tidying up in the "regionalisation" of Belgium, the transfer of certain powers from the central government to the language regions.

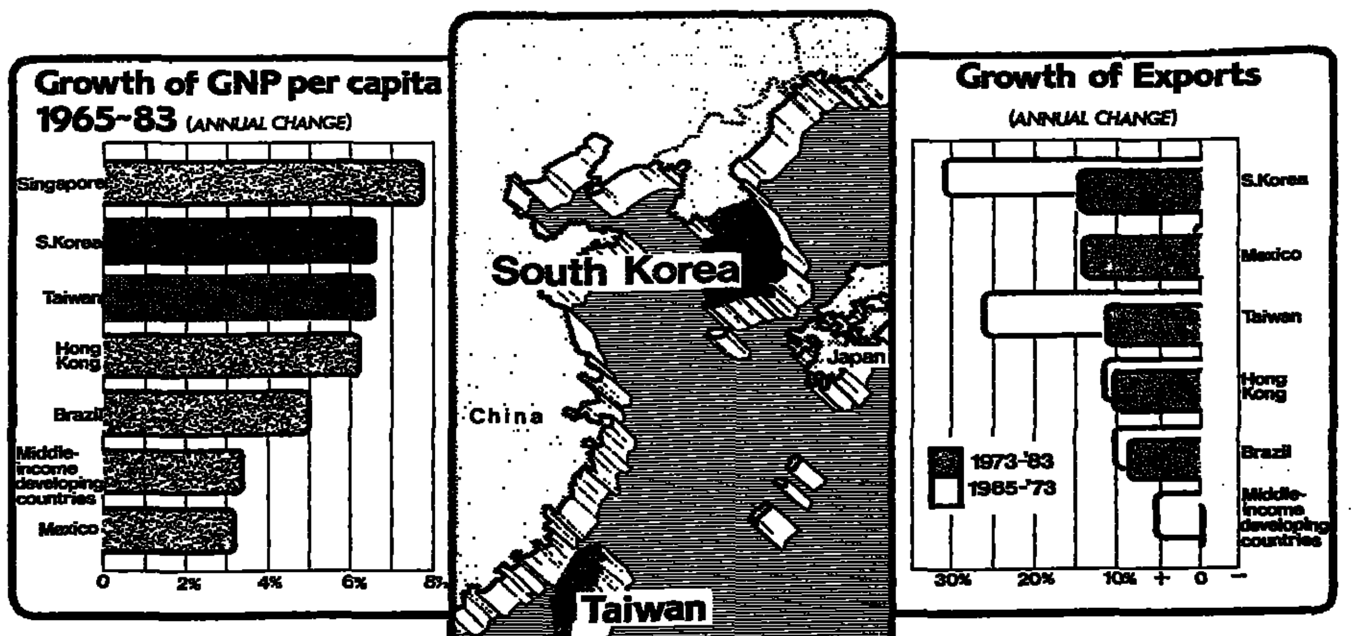
The other subject the Government intends to take on is a tax reform, to take effect in 1986. The Government's intention is to reduce some taxes. Given the political uncertainties, the temptation will be great to go too far. Available scope for tax concessions, unless they are compensated for by increases elsewhere or by strict economies, is almost non-existent. Since coming to power the Martens government has shaved the central government deficit, but at 10.5 per cent of gross domestic product it still is excessive.

Similarly, progress made with external payments is relative only. The current account did, indeed, swing into surplus last year after having been consistently in deficit since 1977. But the improvement was due largely to low domestic demand which held down imports.

The economic situation illustrates what dangers were conjured up when the French-speaking Liberals in the coalition under M Jean Gol clashed with the French Social Christians under M Charles-Ferdinand Nothomb. M Gol had a good case when he called for the resignation of M Nothomb, the Minister of Justice, because of the mishandling of security at the Heysel football stadium. But his motives were not unmixed. M Nothomb, in his turn, could have staved off the cabinet crisis if he had resigned.

Now that the political damage has been patched up, all concerned should give priority to preserving stability. No risks should be taken with the issue of regionalisation. And the temptation should be avoided to sacrifice the economic programme to short-term political advantage.

KOREA'S ECONOMIC 'MIRACLE'



Graham Lever and Leighton Morris

A success story which defies the textbooks

By Anatole Kaletsky, recently in Seoul

IN THE short history of post-colonial economic development, there are perhaps only two success stories which can genuinely be held up as economic models for other developing countries.

South Korea and Taiwan are the only sizeable countries to have pulled themselves up, within a single generation, from dire poverty to living standards approaching those in parts of Europe.

The city states of Hong Kong and Singapore have done as well, or even better; but their tiny economies, built up on the financial spin-offs from booming harbours, cannot provide much inspiration for large and predominantly rural Third World countries.

South Korea and Taiwan, by contrast, are substantial nations, with populations of some 40m and 20m, and with diversified economies built on peasant farming as well as factories and services. In South Korea, agriculture still accounts for 14 per cent of Gross Domestic Product and 34 per cent of employment, while in Hong Kong the corresponding figures are 1 and 3 per cent. Services generate only 47 per cent of Korea's Gross Domestic Product, against Hong Kong's 69 per cent.

Furthermore, Taiwan and Korea started their development from truly abysmal levels. Korea was poorer than Ghana or Sudan, in terms of GDP per head as recently as 1960.

Since then, the two Far Eastern countries have each grown by over 8 per cent annually. Average wages in Korea have risen to \$4,500 a year and in Taiwan, which has always been the richer country, they are some 30 per cent higher.

Life expectancy in Taiwan has reached the European and American level, while in Korea it has improved by eight months for every year since 1960. Illiteracy is all but eradicated in both countries and a Korean teenager is likelier to complete a full 12 years of high school education than one in Italy or Britain.

It is not surprising, then, that South Korea and Taiwan are viewed with envy and admiration by other developing countries. Korea in particular has become a paradigm of successful economic development — especially since Taiwan has been banished into diplomatic limbo with China's acceptance into the community of nations.

As a World Bank staff paper recently put it: "An economic theory that is able to enfold the forces shaping Korea's recent history, could very well dominate thinking for years ahead." The paper added: "It is no surprise that the rival creeds have been jockeying for position, each claiming Korea for itself."

For traditional development economists, the Korean model has been epitomised by what a 1983 World Bank study by three Korean and Japanese economists called "strong partnership between government and the private sector."

Two key provisos distinguished Korea from many other Third World countries in this analysis. Government took advantage of market forces, rather than working against them. And, after an epidemic of corruption under the Syngman Rhee regime which fell in 1960, bureaucrats operated primarily by giving strategic guidance to private industries, rather than doling out discretionary priveleges and subsidies.

The newer breed of free marketeers who dominate development economics today, on the other hand, see Korea's success in an altogether different light. They stress Korea's export-orientation, its remarkably low ratio of government spending to national income, the competitiveness of its business environment and the lack of militant unionsation among its workers.

There are all facts. Yet, like the older interventionist view, the currently fashionable laissez faire model disguises as much as it reveals about Korea.

Government takes advantage of market forces

Korea's export drive, for example, took off from an industrial base built up behind impenetrable protectionist barriers. These were designed quite consciously, on the Japanese model, to promote import-substitution, as well as export growth.

The neo-classical school does not deny this. It argues, however, that the government meddling was irrelevant, or worse, to Korea's economic successes. A series of influential neo-classical studies in the late 1970s concluded that Korea ended up with an import and export regime of "broad neutrality," similar to free trade in its effects on business decision-making. Whether by accident or design, the government's export subsidies counteracted almost exactly the incentives to produce for the home market created by import controls.

The more outspoken free-marketeers have pushed these controversial findings further. Korea could have done even better, they argue, if only it had adopted a stricter laissez faire model.

Up to a point, this new orthodoxy is endorsed even by the Korean government's own planners. Although they make no apologies for the pivotal role of government in the first 15 years of Korea's industrialisation, many claim that they were becoming disillusioned with government's ability to control an increasingly complex economy by the late 1970s, as the fourth five-year plan, with its emphasis on energy- and capital-intensive heavy industry, began to run aground.

Officially, economic liberalisation became the order of the day as soon as President Chun Doo Hwan seized power in 1980, against the background of rising inflation, multiplying foreign debts and Korea's first real recession for 20 years and after the assassination of the architect of Korea's corporate state, President Park Chung Hee.

Yet a profound gap remains between Koreans' practical application of "economic liberalism" and the laissez faire theories of the new orthodoxy.

Whatever the neo-classical models may suggest about the irrelevance of effective protection for Korea's industries, the government is dismantling trade barriers with utmost caution. Imports of many products are still completely banned and outright prohibitions will continue in several key sectors for the foreseeable future.

The number of products which can legally be imported has been increased from 68 per cent in 1979 to 84 per cent of the international standard industrial classification. But even by 1988, 5 per cent of product categories, including some of the most important ones — such as motor cars, staple agricultural products and many types of consumer goods — will face complete import bans or quantitative controls.

Furthermore, those "non-essential" items which can be imported may be subjected to very high tariffs — the standard tariff rate of 20 per cent will apply only to two-thirds of imported items, even by 1988. Clearly Korea's definition of liberalisation falls well short of the full blooded laissez faire experiment attempted, for example, in Chile during the mid-1970s. Then all import controls were abolished and a standard tariff of 10 per cent was set for all products.

The structure of Korea's domestic economy, too, is a far cry from the strict free market model. Korean industry is extraordinarily concentrated, with a handful of conglomerates, such as Hyundai, Daewoo and Lucky-Goldstar, controlling all the commanding heights of the economy. Just nine of these conglomerates (called chaebols in Korean) account for more than half of Korea's exports. Within the chaebols, which typically make everything from stuffed toys and machine tools, to ships and video recorders, cross-subsidisation is rife between profitable divisions and costly new operations, which are sometimes allowed to run for years generating losses.

Although the government now believes this corporate giantism is dangerous, its policies on industrial structure pay scant attention to laissez faire injunctions. Detailed and onerous regulations have been imposed on the newly "liberalised" banking system to redirect funds from the chaebols to smaller companies. The Ministry of Trade and Industry is actively compiling a list of 1,000 smaller companies "which will be encouraged" in unspecified ways to expand their exports.

Meanwhile, government planners have no hesitation in instructing chaebols to invest in certain industries and abandon others to limit "duplication of effort." One Korean official puts the rationale for all this intervention with unabashed pragmatism: "We must retreat in order to move ahead later."

The attitude to macro-economic management is equally eclectic. Nominally monetarist officials show no signs of embarrassment when they describe overtly Keynesian demand policies, such as the carefully timed investment incentives, housing programmes and cuts in interest rates which the government is currently implementing to take up the economic slack created by weaker exports to America.

Heavy emphasis on wealth distribution

In a sense, this "can-do" pragmatism, picking and choosing from whatever theoretical framework seems most appropriate to Korea's current problems, is the most important distinction between the country's experience and some of the more dogmatic free-market models.

But there is a more enduring difference which goes much deeper. One feature of the economic structure which is entirely missing from the neo-classical models distinguishes Korea, as well as Taiwan, Singapore and Hong Kong, from nearly all other developing countries. The miracle economies of the Pacific rim have managed to spread the wealth which a strongly capitalist market economy can generate under the right circumstances.

The heavy emphasis on distributing of wealth, as well as its creation, began with sweeping land reforms from 1945 to 1951. Along with corresponding programmes in Taiwan and Japan, these were initially administered by U.S. occupation forces. They put a permanent upper limit of 3 hectares on all land holdings and turned egalitarism, or "Korean-style welfare," as successive governments have called it, into an ever-present theme in the country's economic development.

However, serious and tangible evidence of successful egalitarian policies is evident everywhere—not only in the absence of Brazilian-style destitution in the streets and shanty towns of Seoul, but also in the statistics on income distribution.

In 1982, average salaries for administrators and managers were only 2.5 times higher than salaries and wages for all employees and the poorest 40 per cent of households received 18.8 per cent of total personal incomes.

Among the middle-income Third World countries only three have income distributions similar to Korea's: they are Taiwan, Hong Kong and Singapore. In Brazil, Mexico and the Philippines, by contrast, the bottom 40 per cent of the households received 7 per cent, 10 per cent and 14 per cent of incomes, respectively, the last time such estimates were made, in the 1970s—and since then the situation has probably deteriorated further.

Korea's relatively equal economic structure has been achieved not by redistributive taxation but by a combination of modest remuneration for corporate managers and government bureaucrats with limited, but carefully targeted public spending on housing and education. Probably the most important element, however, has been a costly system of food subsidies and farm price supports.

Korean officials are the first to admit that their agricultural policies conflict with free market principles. But they believe that, operating on a rural population already equalised through land reform, agricultural subsidies have been essential to "spread the benefits of industrialisation to the villages."

Some conservative economists in the West attribute little or no significance to explicit policies on income distribution and land reform.

But many Koreans would almost invert this logic—land reform laid the political, as well as the economic, foundations for Korea's subsequent progress. As one senior planner puts it, "the good fortune that our society was completely levelled after the war was a vital factor in our success." It was this "levelling" which helped to prevent the build-up of vested interests and wealthy political elites which have hijacked so many Latin American and African countries.

Obviously this is not the whole story. Sri Lanka and Tanzania have pursued egalitarian policies but failed economically because they have ignored market forces. Hong Kong has produced both rapid growth and a reasonable spread of incomes without specific government policies directed to achieving either.

But one lesson from South Korea seems clear—a miracle economy is not built simply on a textbook economic model.

Men and Matters

Jefferson plans BT road show

Together with British Telecom's first annual report and accounts the 1.7m shareholders have received a postage-paid card to indicate whether they will turn up at the agm at the National Exhibition Centre in Birmingham in September.

Those shareholders who dislike crowds—BT is preparing to handle a meeting of up to 20,000—would be well advised to stay away and vote by proxy. Another card to arrange proxy voting is also thoughtfully enclosed.

For chairman Sir George Jefferson is arranging a BT Road Show to tour the country for several weeks after the agm. Senior managers an ddirectors will make themselves available at a series of regional meetings where they will answer questions from shareholders who could not get to the agm.

Although the meetings will not have the statutory significance of the Birmingham bunfight (a cup of tea and a bun is likely to be the extent of the hospitality BT will be able to provide for the expected 20,000) they will enable shareholders to inquire about operations and policy in a relaxed atmosphere.

Jefferson says in his statement. "Whilst I welcome the confidence and the challenge that a large body of holders represent, we face a major task in keeping everyone in touch with the company."

The estimate of a 20,000 maximum turnout at Birmingham is based on a statistic that, on average, about 1 per cent of shareholders go to company agms. But the figure will not necessarily be reliable for BT's first agm, given the novelty of the occasion and the large number of shareholders who find themselves with equity in a company for the first time in their lives.

Simon's innings

BP-watchers were not exactly surprised to learn that David Simon, aged 45, is to join the group of seven managing directors which runs Britain's largest company.

An effervescent career BP man with a strong marketing background, he has made a name for himself in the last two years by shaking out excess refining capacity and improving BP's downstream activities.

A Christ's Hospital scholar and a Cambridge modern linguist, Simon is an avid reader. Which is just as well as his Norwegian wife half-owns a west London bookshop.

Specialising in modern fiction the shop is also well known for its moderately feminist inclinations. Simon has covered that side of things at BP by being the first senior male manager to address the company's women's group.

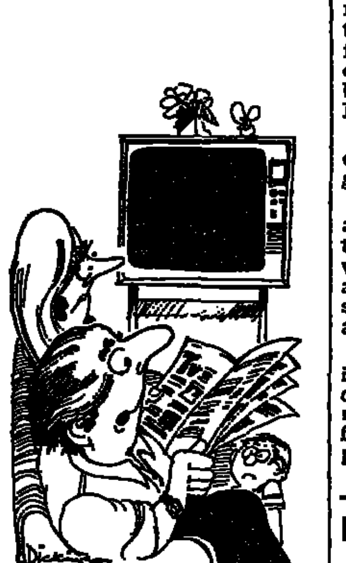
Among his hobbies is "watching the sun go down at Hampstead Cricket Club," and he is reading Mike Brearley's book on captaincy.

As the equal youngest in the BP executive team—alongside Bob Horton, the finance man—Simon is well positioned now for the captaincy stakes in his own organisation.

Taste of gold

Turning chocolate into gold was a problem the old alchemists didn't have, but Wiliams and Glyns Bank has just done it. The story begins with the making of a forthcoming advertisement to publicise the merger of Williams and Glyns and Royal Bank of Scotland, in which two trolleys carrying 1,000 bars of bullion are shown.

This concentrated the minds of people at the bank's advertising agency, Boase Massimi Pollitt. The Bank of England seemed less than enthusiastic about releasing £91m worth of gold to lie around in a photographic studio for a couple of weeks. Experiments were tried with gold-sprayed polysterene.



"According to this, it's an hour long programme on the BBC cutbacks—in sound only"

But it didn't photograph like the real thing.

Then somebody discovered that Harrods sell boxes of praline chocolates made up to look like gold bars at £8 a box. The bank managed to get 1,000 boxes at £8 a box and the photography went ahead.

But what do you do with 1,000 gold bars of chocolate when the show is over. Well, it happens that one of Williams and Glyn's customers in central London is the Great Ormond Street children's hospital. Today Don Lewis, general manager of the new merged bank, will hand over £8,000 worth of chocolate gold to the hospital. A happy ending beyond the dreams of the alchemists.

Blacked

"Slightly unfortunate" was how the man at Bank of America described it. The large black-bordered advertisement on the front page of yesterday's Times contained nothing but the bank's name and logo.

It seemed an appropriate accompaniment to the sombre news, also in yesterday's papers, that Bank of America had suffered a \$338m loss in the second quarter—more than any other bank except Continental Illinois.

But the suggestion of BoA's demise was premature, I am glad to report.

The space was intended to advertise some City property that BoA is selling. A buyer was found at the last moment and, rather than waste the space, BoA decided to run the ad with its name anyway.

"There is nothing sinister in it and it was not put there by our competitors," said the BoA man, with engaging frankness, for what can go on when City practical jokers get to work.

Hot lines

In the Conservative stronghold of Wandswort councillors find themselves in the unusual position of adopting a firm stand against Mrs Thatcher's new media policy.

The London borough has decided it would rather have undisturbed roads and pavements than digh them up to wire the borough for cable television.

They are convinced there are more votes to be lost because of the state of the pavements than would be gained from a bigger choice of tv programmes.

Jon Davey, director general of the Cable Authority, will meet borough representatives next week to try to seek a compromise.

Ultimately, however, Davey can wave a big stick at Wandsworth. Cable companies qualify as public telecommunications operators and have the same right as British Telecom and Mercury to dig up the streets.

Observer

POLITICS TODAY

The writ that doesn't run

By Malcolm Rutherford

ONE OF the problems that has always bedevilled Mrs Thatcher's administration is how to decentralise power. The Government wants powers to be devolved. Yet to get there it has first to take power into its own hands. To reverse a French phrase, it is a question of knowing how to *sauter pour mieux reculer*.

The problem is, if anything, getting worse. You can see it all over the place. Take Johnson Matthey, for example. The issue is not just whether there was fraud.

There was a failure of supervision on the part of the Bank of England. The Bank perhaps did not perhaps inform the Treasury fully enough and early enough of what was going on. A series of misunderstandings seems to have dogged the story throughout, and done so at a time when working relations between the Bank and the Treasury, and possibly within the Bank itself, are not all that good. It does not make for the smooth functioning of government.

One of the results is that Mr Dennis Skinner, the Labour MP for Bolsover, previously regarded as rather a wild man, has become something of a hero. It was he who persuaded the Labour front bench that the Johnson Matthey case contained matters worth probing, and he did his homework.

Mr Skinner comes out very well, almost a classic Parliamentarian. The Government, for its part, seem to have an endemic tendency to play into the opposition's hands.

A similar fate to Mr Skinner's has overcome Mr Ken Livingstone, the head of the Greater London Council. Mr Livingstone used to be generally regarded as either a villain or a nutter. Yet the way the Government went about the GLC's abolition has turned him into a popular figure, more sinned against than sinning. He is quite likely to be a hard-working and effective Labour Member of the next Parliament.

The Government's motives in seeking to abolish the GLC were pure enough. It wanted to devolve power to smaller units, more likely to be receptive to the needs of the local people. Where it went wrong was in not properly considering in advance how to do it. In the end it used a bludgeon in the shape of the Conservative Party Whip. It is very doubtful whether it was all worth the effort.

Something akin may be going in the teachers' dispute. Again, there is no reason to query the motives of Sir Keith Joseph, the Education Secretary. He wants the best and most meritocratic education system for the country that can be found and paid for, while also, in the spirit of the social market economy, providing a safety net for those less able to compete. He would like teaching to be a skilled profession, embracing high standards.

Yet it has not quite come out like that. Indeed it almost looks — this is a slight caricature — as if the Government has taken on the teachers in the same way as it took on the miners, although without the same justification. There is a deadlock, and few of the Government's good ideas come through to the public, perhaps not even to the teachers themselves, as Sir Keith was admitting in the House of Commons this week.

Mrs Thatcher, we learned from her interview on Channel 4 on Wednesday, is in favour of the restoration of direct grant schools. It seems a bit late to say that now. To the outside world, it looks simply as if the Government's education policy is unclear and ill thought-out. Any old improvisation or compromise will have to do to settle the dispute.

Taking all those points together, the conclusion is that there is a widening gap between the Government's—perhaps any British government's — good ideas and their implementation. Somehow the message from the top does not reach all the way down the line. One of the failings is the language in which the message is expressed.

The rest of this article is about two concrete examples: this week's White Paper on deregulation and the development of London's Docklands. The two subjects have something in common in that both concern how to make life easier and pleasanter for people. What gets in the way is the bureaucracy.

The White Paper, however well-intentioned, is a bundle of cliches from the title. *Lifting the Burden*, onwards. It is also bogged down in unexplained minutiae. It is very hard, for instance, to expect the public imagination to rise to paragraph 5.30 which runs: "Further ahead, the Ministry (of Agriculture) is now in discussion with the soft drinks industry about introducing a major simplification of the existing complex regulations."

Development in London's Docklands: symptomof the Government's difficulty in explaining its ideas

On the face of it, that statement gives at least as much cause for alarm as it does for comfort. It is utterly unclear what it is about.

Paragraph 5.31 is not much better, though it ought to be. "The Government have announced," it reads, "that they will seek an early opportunity to introduce legislation to abolish statutory restrictions on shop opening hours. There are already no such restrictions on Sunday trading in Scotland, except in relation to hairdressing."

Apart from the fact that the reader might wonder why hairdressing is an exception, there is no attempt to explain why Sunday trading might be beneficial and pleasurable to the public. It is the language of a tired civil service.

Here it is again in Paragraph 7.6: "The Government propose to discuss with local authorities the setting up of 'One-Stop-Shops' within authorities. These are essentially single inquiry points providing information on local regulatory requirements and quick referral to the relevant department of the local authority. Such units could also be valuable in representing the interests of firms dealing with other, regulatory departments within the local authority."

Yet this was supposed to be a White Paper about deregulation and simplification. What are all these "other, regulatory departments" allowed to remain within the local authority? Not for the first time, one has the impression that this government, or perhaps its minions, is incapable of seeing the wood for the trees.

"The Government," we are told, "also intend to improve the training given to enforcement officers." What sort of training and who are these enforcement officers? A suspicious mind might think that the Government is merely seeking to replace one form of bureaucracy with another, and if the top of the government cannot get its libertarian, energy-releasing, wealth-creating message down the line, that is precisely what will happen.

The White Paper excels itself towards the end. To implement the proposals, it says, there must be a "small task force in central Government with real teeth." One had thought that that sort of language about small task forces at the heart of the Government machine and real teeth went out with Harold Wilson. They rarely worked before, turned out to have teeth made out of toffee, and it is not self-evident from the White Paper that a new one will work now.

London's Docklands area, by contrast, is both a challenge and a puzzle. Anyone remotely interested in planning, economic development and the environment should try to go and see it. For a start, some of the views from the waterfront are stunningly attractive. A new world is growing up in place of the old decaying warehouses. It is the area where the best of the original policies of Mrs Thatcher and Sir Geoffrey Howe, when he was Chancellor of the Exchequer, were allowed to take root.

Most people have mixed feelings about it, even when impressed. Mr John Redwood, the retiring head of the Prime Minister's Policy Unit, thinks that it is one of the most effective things the Government has done: it should be left alone to go on developing privately under the aegis of the London Docklands Development Corporation.

Mr David Lea of the TUC says that he is completely torn by the Docklands whenever he goes there. One half of him tells him that it is the future of Britain, exactly the sort of development that the Labour Party and the unions ought to be encouraging. The other half says that he ought to be appalled by the free rein given to private enterprise and the absence of planning.

Mr Peter Shore, the former Labour Environment Secretary who has his Parliamentary constituency there, admits that it is taking off in a big way, though he adds that it will benefit the affluent, not the local people.

Certainly all the most recent announcements support the view that it is going to be a success: a new short take-off airport, for instance, and a new modern rail network. Under the conditions of the Enterprise Zone, which relax planning restrictions, factories as well as offices are going up in abundance, and it may well be that it is the wave of the future: people want to abandon commuting and return to the inner city wherever it is hopsitable.

A few questions remain, however, when you go there and try to probe beneath the surface. One is that the Docklands Development Corporation does seem to have quite enormous power, without being responsible to anyone except nominally the Department of Environment. Some of the private individuals who initiated the development before the Enterprise Zone was set up are now having problems in getting plan ning permission.

There are also numerous complaints, some of them made by our architecture correspondent Colin Amery, about the aesthetics of it all. It is not as beautiful as the site allows it to be, and things could be getting worse. Not least, there has been little development of the local schools, which puts a limit on the sort of people who will go and live there.

The real question is how far there should be planning controls and how far total licence. The Government has a potential success on its hands in the Docklands, though it could go too far, and Ministers have ben curiously reluctant to boast about it. But somewhere between the Government's good ideas and a completely free market approach there is going to have to be some regulatory authority, if only to prevent the building of monstrocities. No British government has yet found a satisfactory answer.

Lombard

The City counts its chickens

By Richard Lambert

SO YOU paid 14 times a record year's earnings for a firm of City stockbrokers, did you? Don't worry. Your best and brightest traders are straining on their golden handcuffs, are they, threatening to make a nonsense of all that goodwill? Never mind. Whatever happens to profit margins, the one sure thing about the City revolution is that the volume of business on the London Stock Exchange is set to rise dramatically once commissions become negotiable. *After all, look what happened in America.*

That is the thought which is helping to send a good number of investment bankers off to sleep at night at the moment, and it is not just a matter of wishful thinking. Since fixed commissions were abandoned on Wall Street 10 years ago, commission rates on institutional trades have fallen by roughly 40 per cent, and the volume of share trading has risen five fold. Until a setback in 1984, the fall in margins had been far offset by the rise in the level of business.

The trouble is, though, that the lower cost of dealing in shares may not have been the only reason for the enormous increase in activity. Other factors have also played a part—some of which have already had an impact on London.

Volatile

For instance, financial markets everywhere have become much more volatile, and fund managers—even of long term assets—have become increasingly concerned with short term performance. As a result, they have adopted the strategy of taking small profits more or less whenever they present themselves, rather than taking the chance of building up bigger gains by staying with their successes. These days, a buy-and-hold policy would be considered distinctly passé.

Financial volatility has also led to the development of new markets for trading in risks—most spectacularly in Chicago—and these in turn have tended to boost turnover in the securities which underly the options or futures contracts. On some occasions lately, the Chicago tail seems to have been whirling the New York dog around like a windmill.

Technological developments have played a big part in the growth of U.S. trading volume. The New York Stock Exchange used almost to grind to a halt in the late 1960s if volume approached 20 milion shares a day. Now it can handle far in excess of 200 million shares a day without showing any sign of strain. This has been made possible by enormous investments both in the market's infrastructure and in the brokers' own back offices—an area, incidentally, where many London firms stil look decidedly primitive.

Rally

Most important of all, perhaps, price deregulation on Wall Street came at a time when share prices were beginning a sustained rally away from the 12-year low point touched in 1974. The years of the really big volume gains, like 1980, 1982 and 1983, coincided with periods when share prices were shooting ahead. Dull years for share prices, like 1977 or 1984, were also dull years for business growth .

Volume in London has yet to benefit from price competition. But the level of business has already been rising fast, especially when prices have been in a bull phase. The annualised value of equity turnover in the first quarter of this year was well over three times the level in 1981, and although the increase was inflated by the sharp rise in prices, there was still *room for large volume gains.* The value of business on the fixed interest side has climbed from £76.5bn in 1975 to £292bn in 1984.

Provided they can get themselves into a position where they can actually handle a greatly increased level of business in London, a prolonged bull market will make geniuses of those investment bankers who are now tossing and turning in bed at night. But on the whole, they may be better advised to count sheep rather than unhatched chickens.

Letters to the Editor

Business school prospects

From the Principal, London Business School.

Sir,—Your article on the future of British business schools (July 15) somewhat oversimplifies a complex situation. At London Business School, 62 per cent of our recurrent income already comes from non-public sources, and it is the remaining 38 per cent that is at risk from the Griffiths' proposals. The elimination of the latter would fall entirely on the Masters (MBA) programme whose graduates, now numbering about 170 a year at London, are in heavy demand and command excellent salaries for their experience and qualifications.

The bulk of the students put themselves through the MBA and the removal of any public funding would effectively quadruple the fees they currently pay. Without changes to taxation principles, and the enhanced availability of special subsidised loan schemes, which exist in other country and have apparently been rejected only recently by the British Cabinet, the flow of able UK applicants will diminish. The irony is that, while the schools would survive by rejigging the range and marketing of programme offerings, they would inevitably end up with a considerably higher proportion of overseas students from competitor countries. This is indeed the case with the privatised European Business School quoted in the article.

Is this change what Britain really wants? We are already short of highly educated and motivated young managers in this country. To diminish the *supply even further*, by *positive* discrimination against management as a serious subject of study, seems short-sighted at a time when we are falling behind in the international race to translate science and technology into marketable products and services. It was, ironicly, only last week that Mr Tom King, the *Employment Secretary*, generated the headline 'Britain's choice: train or drain.'

(Dr) Peter G. Moore
Sussex Place,
Regent's Park, NW1.

Requirements for accounting

From Mr R. Croudson.

Sir, — If the authorities of Government and the professional bodies consider who wants and who most needs the financial statements of small limited companies they should arrive at the conclusion that it is (a) the directors and shareholders (usually almost the same persons) and (b) the Inland Revenue.

Interest of the former in registered accounts is usually idle curiosity and the latter have their own improved methods of obtaining the move detailed information they require.

Unfortunately compliance requirements with the profession's Statements of Standard Accounting Practice and the Companies Act 1981 have made the financial statements of small companies less readily understandable to the directors/shareholders who these days already develop their own forms of accounting information with or without the professional accountants' assistance and who rely upon annual audited statements for confirmation only of their own figures.

This leaves the Inland Revenue's interest about which insufficient seems to have been mentioned. I suspect that if audit requirements are removed for small companies the revenue's enquiries and interest in submitted financial statements will understandably increase and any savings to the company upon removal of audit needs will be replaced by increased fees in satisfying the Revenue's requirements.

If the "burdens on businesses" are to be reduced and if the profession is to have the supposed opportunity to provide more useful services (a) SSAPs and Companies Act requirements on presentation should be removed for small companies as defined in the new proposals (ie turnover £2m, balance sheet totals £975,000 and employees 50), and (b) audit requirements for all companies should be retained but if necessary there should be created two kinds of audit, one less demanding for "small companies" and another for larger ones.

R. Croudson.
Victor Walton Croudson,
26, Park Row,
Leeds LS1 5QB.

Gilts and capital gains tax

From Mr K. Tunstall

Sir,—May I add to Mr Wallace's observation (July 13) that most sales of gilts within 12 months of purchase are at a loss, presently allowable against capital gains tax? I would presume such sales are made shortly before the ex-dividend date and hence include a large element of accrued interest. As such, true capital losses (stripped of accrued interest) are even greater and strengthen Mr Wallace's suggestion for an extension of CGT on gilts rather than abolition.

Following the proposed *separation of income from capital*, I would advocate symmetry of treatment between seller and buyer so that accrued interest taxable to a seller of stock would be tax deductible to a buyer. At present, a buyer of stock with accrued interest is taxable on the next full six-months' interest even though he has bought rather than earned part of that interest.

Keith Tunstall,
30, Grove Street,
Leamington Spa, Warwicks.

Fair value for money

From Mr D. Pearson

Sir,—The Law Society's Councils' reaction to the consultants' report is predictable and some of his arguments are unconvincing as the example of the medical profession. It is interesting and possibly significant that in the BBC's preparations for their new series Watchdog when viewers were asked to write in with case studies, solicitors figured repeatedly among the complaints.

After more than 45 years in accountancy practice and having done business with many firms of solicitors both in this country and in the United Kingdom my view is that by and large the public is well served and generally gets fair value for money from the solicitors' profession.

Nevertheless, there are cases, which call for speedy and fair examination and decision and the existing system needs revision. The greatest cause for complaint is inordinate delay in dealing with cases.

At present the Professional Purposes Committee refuses to deal with complaints by persons who are not clients of the solicitor concerned, e.g., residuary legatees of estates for whom the solicitor is the executor.

This is unsatisfactory, as is the present arrangement where on receiving a complaint this committee decides whether a prima facie case exists. Another difficulty is the cost of court proceedings preventing cases being taken for negligence.

Derek Pearson
Glenveagh,
2 Myrtle Park,
Dun Laoghaire,
Co Dublin

Steady decline in unemployment seen

From Mr J. W. Brazier

Sir,—the dip in the trend in seasonally - adjusted employment, coupled with the signs of a downturn in investment by industry appear to have occurred precisely on cue. There are good reasons for expecting the reduction in both to continue.

In June 1982, your correspondent Samuel Brittan reviewed my paper Priced out of the Market, which noted that almost every European country (unlike the U.S.) had fallen into the trap of subsidising investment. This stemmed from the mistaken belief that, since prosperous countries had high levels of investment, tax inducements for (otherwise uneconomic) investment would bring prosperity.

[illegible] of this investment was labour saving. At the same time, as has so often been remarked, virtually every labour-related cost from national insurance to health and safety legislation had risen, in the decade to 1982.

Interestingly, Mr Lawson is the first recent Chancellor of any party, to appreciate the balance between the cost of labour and capital but his first budget had a curious quirk in the timing of its impact on both joblessness and investment.

By the end of 1983-84, the rate of rise in unemployment had slowed almost to a standstill, owing to the cyclical factor of the sharp recovery. Then came the sensible decision in the March 1984 budget to end 100 per cent allowances which, had it been introduced then, should have lead fairly quickly to a faster downturn in unemployment and a fall in "uneconomic" investment.

Instead the "step by step" approach produced the opposite effect for a single year, and we saw a return to growth in the jobless figures coupled with a surge in investment, as industry struggled to capture the 75 per cent allowance, available for the last time.

Now that April 5 and that "special offer" are behind us (including no doubt some labour - saving investment brought forward) and cuts have been made in national insurance payments on the low-paid, it seems that the path is well set for a steady decline in unemployment and a better balance in investment.

Yesterday's swallow may well have heralded a summer.

Julian Brazier,
H. B. Maynard & Company Ltd
23 Conduit Street W1

FINANCIAL TIMES

Friday July 19 1985

Olympia & York abandons deal with Chevron

By Bernard Simon in Toronto

OLYMPIA & YORK, the Toronto-based property developer, has decided at the last minute not to proceed with its C$3bn ($2.24bn) takeover of the 60 per cent stake in Gulf Canada owned by Chevron, the debt-burdened U.S. oil group.

Chevron now plans to look for other ways of disposing of its Canadian oil interests.

Olympia & York, a private company controlled by the Reichmann family, gave no reason for its withdrawal from the deal, first announced on May 23. It asked for three extensions of the withdrawal deadline while it negotiated further on various aspects of the transaction, including the possible sale of parts of Gulf Canada to the state-owned oil group Petro-Canada.

The company has forfeited a C$25m deposit to Chevron. A Canadian government source said yesterday that political considerations had played a part in the failure of the deal, but declined to elaborate.

Earlier this week, the Cabinet authorised Petro-Canada to spend up to C$1.8bn to buy Gulf Canada assets, including its marketing and refining business. Another Canadian group, Norcen Energy Resources, was also reported to be showing an interest in buying some of Gulf's business.

Gulf's assets totalled C$5.6bn at the end of 1984 and revenues reached C$5.4bn last year, the fourth highest among integrated oil companies in Canada.

Miss Pat Carney, the Energy Minister, yesterday described Olympia & York's withdrawal as "a setback to the Government's goal of Canadianisation" of the oil and gas industry. Had the deal gone through, Canadian ownership of the industry would have risen from 42 per cent to about 47 per cent.

A Chevron official said the company now planned to pursue several alternatives. It still expects to realise a substantial sum of cash from the reorganisation or disposal of its Canadian interests.

Chevron to sell downstream operations, Page 20

Bank licence for Kleinwort refused

Continued from Page 1

are not banks. The Bank has also told the Japanese Ministry of Finance that it will not horse-trade licences for UK banks in Tokyo.

A senior Ministry of Finance official said yesterday that the ministry had been put in "a rather difficult position," given that Nomura Securities and the other securities houses had first put their applications for banking licences in five years ago.

Noting that U.S. securities houses such as Merrill Lynch and Goldman Sachs had been granted UK banking authorisation, he implied a clear case of discrimination against the Japanese.

He claimed that Japan had lived up to the commitment it made at the first UK-Japanese meeting last October to seek "a constructive solution" to the bilaterial problem.

In January, Japan granted licences to S.G. Warburg, the merchant bank, and W.I. Carr, the Exco subsidiary. Last week, de Zoete & Bevan, the stockbroking firm, also received permission to open a representative office.

Observers believe that the Japanese stance has been complicated by the involvement of the Ministry of Finance, which took over negotiations from the securities houses last year in the expectation that a breakthrough could be made at official level.

The Bank of England says it does not intend to give in to the latest pressure from the Japanese because the provisions of the Banking Act cannot be waived out of political expediency.

Blacks organise boycott of South African shops

BY ANTHONY ROBINSON IN JOHANNESBURG

BLACK consumers yesterday boycotted stores owned by whites, coloureds and Indians in the Pietermaritzburg area of Natal and throughout the Eastern Cape. The boycott was organised by black activists to draw attention to black grievances. Unconnected strikes also hit the Ford, General Motors and Volkswagen plants in the Port Elizabeth area.

The one-day Pietermaritzburg action was linked to a work stayaway organised by black unions in support of 950 workers sacked three months ago by BTR Sarmcol, a subsidiary of the British multinational BTR, and replaced by non-union labour.

Many shops were reported to have closed in the almost deserted town centre yesterday, with no buses running, while the local chamber of industry said that on average 60 per cent of workers stayed at home.

Police in armoured cars broke up demonstrations in the surrounding black townships, but the BTR Sarmcol factory in nearby Howick reported that 90 per cent of its recently recruited, and mainly Indian or coloured, workforce turned up for work.

The boycott in Port Elizabeth, Uitenhage and other towns in the Eastern Cape, where continuing violence has caused nearly 200 deaths this year, was more overtly political and is planned to last up to two months.

Boycott organisers, linked to the United Democratic Front and black civic associations, said the boycott was in protest against the disappearance of three Port Elizabeth black civic associations leaders two months ago and the murder of four UDF activists, including Mr Mathew Goniwe, whose funerals take place in Cradock on Saturday. They also demand the withdrawal of police and army units from the townships.

The organisers yesterday searched blacks as they got off buses in the townships and destroyed food, clothing and other goods carried in by black shoppers.

The boycott was accompanied by unconnected strikes at the Ford and VW motor factories and General Motors' locomotive plant in the Port Elizabeth area.

The strikes at Ford and Volkswagen were motivated by disputes over back pay and pensions, while the General Motors dispute was over the alleged abusive language used by a white foreman against black workers.

Volkswagen, which was closed for three days last week in a dispute over its proposed loan of buses for the now cancelled New Zealanders' rugby tour, issued a warning to its workforce to return to normal working or face dismissal.

In Johannesburg, the black National Union of Miners (NUM) said that final results of its strike ballot were 65,216 votes in favour of a strike and 1,869 against. The union plans to take action at the 29 mines where it is recognised following the special congress next week which will decide the form which the strike will take.

Appeal to Thatcher; Strike at Siemens plant, Page 3

Chloride agrees £34.5m sale of some overseas businesses

BY KENNETH GOODING IN LONDON

CHLORIDE, the financially troubled UK battery group, has agreed to sell a substantial part of its business outside Britain for £34.5m ($48.6m) cash.

The buyer, Dunlop Olympic, an Australian group, will also take on the debts of the Chloride subsidiaries to be acquired, totalling £18m.

If the deal goes ahead, Chloride immediately will save £4m to £6m a year in interest payments and its gearing, never under 60 per cent for several years, will drop to 30 per cent.

Sir Michael Edwardes, Chloride's chairman, last night said the deal would have a beneficial impact on Chloride's balance sheet and "will provide a secure base from which the group can grow profitably."

The price is above the net asset value of the subsidiaries to be sold and will substantially reduce Chloride's borrowings, which in March totalled £67.9m net.

Sir Michael intended to give news of the proposals at the annual meeting on July 26, but the Chloride share price has moved up in the past few days, so the announcement was brought forward. Last night the ordinary shares closed at 39p, up 4p, after touching 42p at one stage.

Dunlop Olympic, which has no connection with the UK Dunlop company, is to acquire the battery manufacturing and marketing activities of Chloride in the U.S., Canada, Mexico, Australia and New Zealand through the acquisition of Chloride's subsidiaries in those countries.

Chloride intends to retain the North American power supply and standby battery business of Chloride Inc – the profitable part of its operations in that region.

The agreement requires approval of Chloride shareholders as well as the appropriate regulatory authorities. Dunlop Olympic is a major competitor in the battery manufacturing business in Australia, so the proposals will have to be given approval by that country's Monopolies Commission.

Chloride and Dunlop Olympic will also sign technical agreements giving Dunlop access to the UK group's technology on recombination, submarine and torpedo batteries.

See Lex

Arabs lift boycott of Ford

FORD AND BAYER are among nine companies removed from the Arab Boycott of Israel Office's trade embargo at its biannual meeting in Damascus which ended yesterday, Our Middle East Staff writes.

The Arab embargo on trade with Ford was imposed in the 1960s as a result of the company's investment in a manufacturing plant in Israel.

The embargo against it was the main reason why a prospective joint venture in the U.S. with Toyota was called off two years ago by the Japanese company. At the same time Mazda, in which Ford has a 25 per cent stake, has been careful to distance itself from its American shareholder in order to preserve its profitable Arab markets.

It was not immediately clear last night what, if any, concession Ford had made to obtain its removal from the blacklist.

Also removed from the boycott were Colgate Palmolive of the U.S.; Imetal of France; Cheverton Laidler, RGB Stainless and Royal Food Products of the UK; All India Medical Corporation and Pacific Manufacturing Company of New Zealand.

Among the concerns whose status was "terminated," meaning they can resume operations in six months, were two other British companies: Allied Foods and LRC International.

The ban on two individuals, the actor Omar Sharif and Lebanese singer Janet Falali ("Sabah") was also lifted.

Signal for European rate cuts

Continued from Page 1

will rediscount for banks at its discount rate.

Although this increase could be seen as a further slight easing in monetary conditions, officials indicated that the decision arose from a routine reassessment of the quota. It was last increased a year ago by DM 8bn.

Herr Karl Otto Pöhl, the Bundesbank president, and other central bank officials have indicated for some time that they see scope for lower rates in West German money markets.

Dr Helmut Schlesinger, the Bundesbank vice-president, said in a speech earlier this week: "Interest rates have already declined and at present are falling further."

A number of factors are regarded as helping a move towards some lowering of interest rates in West Germany.

For a start, the decline in the dollar should help to alleviate concern about the effect of import costs on inflation, which in any case is running at an annual rate of only 2.3 per cent.

The growth in the money supply is well within target. It has been increasing lately at an annual rate of 4 per cent, exactly in the middle of the Bundesbank's 3 to 5 per cent target rate for money supply growth this year.

In France, by contrast, the growth in money supply has been overshooting the Government's 4 to 6 per cent range. The authorities' desire to see commercial banks' base lending rates move down from their present 11¼ per cent level thus runs counter to their objective of curbing this growth.

The Bundesbank's move towards lower rates is also encouraged meanwhile by its belief that economic trends may make the U.S. less of a magnet for capital flows, while West Germany may be among countries to appear more attractive.

As an ultra-cautious body, however, the Bundesbank is also anxious to keep a tight rein on inflation. It regards West Germany's success in keeping down inflation as a product of its own tight monetary policies in the past plus the Bonn Government's efforts to rein in budget spending.

It is reluctant to put these achievements at risk by going along too readily with calls for measures to beef up economic expansion in West Germany.

For this reason, Bundesbank officials are likely to give more support to Mr Paul Volcker, the Fed chairman, in his calls for action on the U.S. budget deficit than in his latest plea for other industrialised countries to foster more economic expansion.

The Bundesbank is confident that West Germany is already on a path of moderate expansion which is assured until at least well into next year.

Thatcher pledges further radical changes

By Peter Riddell in London

THE BRITISH Government must continue to be radical, Mrs Margaret Thatcher, the Prime Minister, told Conservative MPs last night as she promised a series for further major legislative changes.

In her traditional end-of-term speech to the 1922 Committee of backbench Conservative MPs, Mrs Thatcher said that Britons had to know the Government was still in business and was continuing to give a lead.

Her speech followed the latest national opinion poll which showed that the Conservatives had slipped to third place with only 27.5 per cent against a second place with 34.5 per cent last month.

The Gallup survey published yesterday was the first since the Brecon and Radnor byelection on July 4. The Liberal/Social Democratic Alliance won the Welsh seat from the Conservatives, who fell to third behind Labour. Yesterday's poll showed Labour with 38 per cent and the Alliance with 32.5 per cent.

Mrs Thatcher told her party's MPs last night that there had to be more trade union reform, a further "bonfire" of controls, more sales of public assets and new reform of local government and property taxes. Not all these issues would be tackled in the next parliamentary session.

Mrs Thatcher also stressed the importance of further cuts in income tax, of implementing the proposed changes in the social security system, of reforming wages councils, and of legislating on public order, including football hooliganism.

There was no hint during her speech of any softening of her rhetoric or shift in the Government's economic approach. Instead she strongly defended the achievements since 1979, painted an optimistic economic picture an durged strong attacks on the opposition parties.

Mrs Thatcher said that what had been regarded as desirable but impossible, in the 1970s, had since been achieved and was now part of Britain's political landscape and a new conventional wisdom. She cited trade union reform, the reduction in inflation, denationalisation, the reverse of the decline in individual share ownership and the increase in home ownership.

The economy, she said, was now much stronger than a year ago and stonger than at any time since 1979. she described the current pound-dollar exchange rate as much better than last year.

Inflation, she said, was still too high, but there was every prospect of a fall in the autumn. Unemployment remained stubbornly high, but there were signs of hope with reasonably promising June figures.

She repeated the need to keep public spending under control and said that it was possible to have priorities within that total, referring to defence, and the health service.

In particular, she described the suggested fixed link across the Channel as a very exciting project which would be financed entirely by the private sector. She hoped it could be brought to fruition.

France fails to keep control of Eureka project

Continued from Page 1.

slice of Eureka funding must come from government budgets.

Together with the latent discord over France's desire to keep a strong hold over Eureka, differences have also emerged between the larger and smaller countries over the risks of an unduly bureaucratic scheme.

The working group preparing for the Bonn meeting will probably group all 17 countries plus the EEC Commission – an arrangement that some officials already describe as unwieldy.

"If we wanted to do it properly, we would not have all 18 participants," said one official who attended Wednesday's session. "But politically, it will not be possbile to have less than that."

Switzerland, one of the five non-EEC nations in Eureka, has been leading pressure from smaller countries for full participation in decision-making.

There are also divergences over the role of the EEC Commission. M Jacques Delors, the Commission president, who attended Wednesday's session, has been making clear his views that the EEC's own plans for high-technology collaboration should not be completely swallowed by the French-inspired initiative.

THE LEX COLUMN

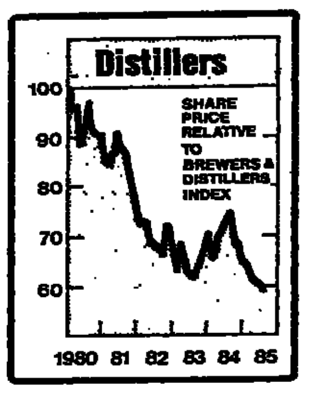
The sound of one hand clapping

The Takeover Panel's statement on the tangled affair of United Newspapers and Fleet Holdings is one of the most opaque documents ever produced by that distinguished institution. The panel has spent three months investigating the question of whether United and Montagu Investment Management were acting in concert before United's announcement that it intended to bid for Fleet.

United and MIM had between them acquired for cash a stake of over 15 per cent in Fleet, a holding which would require any full offer to contain a cash alternative. On its own, however, United owned only 14.97 per cent and argued that it was acting independently of MIM. Since the two organisations share the same chairman, dealt through the same broker and were connected with a common nominee account, the circumstantial evidence would suggest that at the very least each knew what the other was doing.

The panel has concluded that there was no concert party, even though in an analogous case relating to Warburg Investment Management and Trusthouse Forte it came to the opposite conclusion. That is odd enough in itself. But the statement goes on to say that United has agreed that it and MIM should be regarded for the purposes of the Code as if they were acting in concert. In practical terms, this means that United will include a cash alternative in any offer that it makes for Fleet before September 4. Since there is not much prospect of United making a bid before that date, United's undertaking is virtually irrelevant in any cast. The conclusion, it seems, is that Mr David Stevens – the chairman of the two companies – was not in concert with himself but agrees that he should be regarded as if he were. This is nonsense. Given the widespread concern about the panel's future ability to police a City impregnated with conflicts of interest, it is also worrying nonsense.

Nor has the panel covered itself *with glory in the matter of Habitat*-Mothercare and Burton. The panel used to have a rule which prevented anyone with a significant commercial interest in the outcome of an offer from buying shares in the offeror or offeree company without its consent. The rule was recently scrapped because it was difficult to apply. But even a one-eyed umpire would have given Habitat out lbw after its purchase of Burton shares



on Wednesday. It has a clear commercial interest and was supporting the Burton price during an underwriting. Now there is no rule to stop it. Habitat is nursing a paper loss of £80,000 but poetic justice is scarcely enough.

Distillers

If whisky were oil, then the Distillers Company would be the first candidate for treatment as a royalty trust. In a market no less unpromising than that for oil, Distillers could merely mine its stocks of whisky and return shareholders their cash without troubling to add to reserves or make investments. After all, Distillers' shareholders have long ceased to rate the company on earnings that have been both stolid and erratic, but have insisted on a high yield at diminishing cover.

Some loyalists still trouble themselves to wonder whether Distillers will reap enough from rationalisation this year to cover last year's $22m gain from invoicing spirits in valuable dollars. Distillers' management gains credit for turning its glass bottle operation into profit and from the success of Tanqueray gin in the U.S. But it does not really make much difference whether Distillers this year makes more or less than last year's £237m before tax. At 281p, the shares are trading only *a little above their 1979 peak.*

To break out of this range, Distillers will need either a recovery in whisky drinking in all its markets or an explosive fashion for the liquid – neither of which seems likely. The fact that Distillers has not been distributing all its whisky turned to cash – or some £70m at the balance sheet, including unpaid duty – suggests it feels the same and would buy something if it could overcome its caution. With a value of £1bn or so, Distillers is out of the reach of any T. Boone Guinness; but a few years' depletion could change that.

Chloride

Chloride may just have pulled off a deal which can re-establish it as a serious equity investment. At one shot, it has got rid of a quarter of its net assets that earned no operating return last year (but incurred some financing costs) and reduced net debt by some £52m, which is roughly four times as much as its pre-tax profit for the last five years put together. The sale is all the sweeter because the assets being divested – battery manufacturing and marketing companies in several overseas markets, including the U.S. – are to fetch a book profit, which will boost Chloride's depleted equity.

That means that net debt should come down to about 30 per cent of shareholders' funds and minorities. More important, the immediate interest *saving of around £5m should* come straight through to the bottom line in the UK; on last year's miserable results, that would be enough to produce a fivefold improvement in attributable profits. In the longer term, the reconstruction of Chloride's finances will provide the freedom to remodel its remaining businesses. For the present, it looks as if the preference dividend will make a welcome reappearance; yesterday the preference shares rose 24p to 175p.

Banking licences

The wrangle between the Bank of England and Japan's Ministry of Finance is developing along the lines of those tit-for-tat diplomatic disputes in which military attaches fly home at short notice. Yesterday, the MOF made it known that it was refusing a branch banking licence to Kleinwort Benson in retaliation for the Bank's refusal to furnish Japanese securities houses with comparable *rights in London.* Whatever the rights and wrongs of the arguments it would be very unfortunate if the dispute spread to affect other institutions. British securities firms are known to be at the top of the queue for membership of the Tokyo Stock Exchange, while the Japanese houses will doubtless be seeking membership of the new London exchange. To block those applications would be in no-one's interest.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	28	82	Dubrovnik	S	28	82	Malaga	S	28	82	Salzburg	S	28	82
Akrotiri	S	29	84	Faro	S	28	82	Malta	S	29	84	Seoul	C	28	82
Algiers	S	31	88	Florence	S	33	91	Manila	S	31	88	Singapore	F	28	82
Amsterdam	C	20	68	Frankfurt	S	27	81	Miami	C	31	88	Stockholm	F	20	68
Athens	S	32	90	Funchal	F	23	73	Milan	S	29	84	Strasbourg	S	29	84
Bahrain	C	36	97	Geneva	S	27	81	Moscow	F	23	73	Sydney	C	12	54
Bangkok	C	31	88	Gibraltar	S	27	81	Munich	S	27	81	Taipei	C	33	91
Barcelona	S	26	79	Guernsey	C	15	59	Nairobi	C	22	72	Tangier	F	25	77
Beirut	—	—	—	Helsinki	C	17	63	Naples	F	29	84	Tehran	—	—	—
Belgrade	F	22	72	H. Kong	R	27	81	New Delhi	C	30	86	Tel Aviv	F	28	82
Berlin	S	27	81	Innsbruck	S	27	81	New York	S	31	88	Tenerife	—	—	—
Biarritz	C	21	70	Inverness	F	16	61	Nice	S	27	81	Tokyo	S	32	90
Blackpool	F	16	61	Istanbul	S	29	84	Oporto	S	20	68	Toronto	S	27	81
Bordeaux	F	24	75	Jersey	C	15	59	Oslo	C	17	63	Tunis	S	33	91
Brussels	F	23	73	Jo'burg	F	17	63	Paris	C	23	73	Valencia	C	30	86
Budapest	F	24	75	Las Palmas	S	25	77	Prague	S	25	77	Venice	S	27	81
B. Aires	C	20	68	Lima	C	18	64	Reykjavik	R	11	52	Vienna	S	25	77
Cairo	S	32	90	Lisbon	S	23	73	Rio de J'o	C	25	77	Warsaw	F	23	73
Cape Town	—	—	—	Locarno	F	27	81	Rome	S	30	86	Zurich	S	26	79
Caracas	C	27	81	London	C	17	63								
Casablanca	S	23	73	Los Angeles	C	30	86								
Copenhagen	S	21	70	Luxembourg	F	23	73								
Corfu	S	31	88	Madrid	S	32	90								
Dublin	C	16	61	Majorca	S	29	84								

Readings at mid-day yesterday:

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

U.S. growth at 1.7%

Continued from Page 1

tion in the U.S. from a declining dollar have been overstated," he added.

Mr Baldrige's expectations of a more satisfactory growth rate in the second half have been echoed by the Federal Reserve Board which also sees real GNP expanding at a 4 per cent annual rate in the latter part of the year.

Mr Volcker pointed out yesterday that demand in the economy rose by 6 per cent in the second quarter after increasing by 5 per cent in the first.

A major problem continues to be the fact that a substantial part of this demand is leaking abroad as Americans purchase more and more imports to meet their needs. Worryingly, U.S. exports too appear to be trending down.

The Commerce Department's GNP report, which showed that the implicit price deflator rose by 2.8 per cent in the second quarter after climbing 5.4 per cent in the first quarter, highlighted the current good inflationary performance in the U.S.

But whatever comfort the financial markets took from that was overshadowed by the pessimism surrounding the budget talks.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Friday July 19 1985

Chrysler boosts market share as sales climb

BY PAUL TAYLOR IN NEW YORK

CHRYSLER, the third biggest U.S. motor group, said yesterday that pre-tax operating earnings rose by 6 per cent in the second quarter and by 4.5 per cent in the first half, buoyed by higher car sales and a bigger market share.

Chrysler is the first of the big three Detroit car makers to report and its quarterly profits have been eagerly awaited on Wall Street as a key indicator of the state of the industry.

Mr Lee Iacocca, Chrysler's chairman, also announced yesterday that the group had increased its five-year spending plan to $11.5bn from $10.5bn. "We think that is what we have to spend to stay competitive, keep Chrysler strong and protect the jobs of our employees," he said. The other major U.S. car makers have also recently announced big increases in their spending plans and like Chrysler, which is acquiring Gulfstream Aerospace and E. F. Hutton Credit, have been diversifying through acquisition.

Chrysler's six-month volume vehicle sales advanced by 8.8 per cent and its share of the north American car and truck market rose to 12.7 per cent from 11.5 per cent. Pre-tax operating earnings were a record $852m, compared with $803.6m in the year-ago period.

The group said net earnings fell to $596.4m or $5.02 a share compared with $802.9m or $6.48 in the corresponding period, when results were bolstered by a $351.6m extraordinary gain from now-used-up tax benefits. Sales grew by 13.86 per cent to $5.98bn from $5.25bn.

The second-quarter results lifted first-half pre-tax operating earnings to $1.58bn compared with $1.51bn for the 1984 period and net earnings to $1.1bn or $9.19 a share. Sales were up 11.9 per cent to $11.39bn.

In the 1984 first half a $669m extraordinary tax gain produced final net earnings of $1.51bn or $2.12 a share on sales of $10.17bn.

General Motors and Ford, the other two big U.S. car makers, are expected to show year-on-year earnings declines when their results are released, reflecting higher tax rates, increased model launch expenses and extended financing incentives.

Like its competitors, Chrysler is reportedly raising its 1986 model car prices only modestly – perhaps by around 3 per cent – reflecting fierce competition, increased pressure from Japanese imports and the general slowdown in the U.S. economy.

Apple falls $17m in red for first loss

By Our New York Staff

A FALL of 11 per cent in third-quarter sales, combined with a $40.34m provision, has sent Apple Computer tumbling into its first quarterly loss as a public company.

The net deficit for the three months to June 28 was slightly above analysts' predictions at $17.21m, or 28 cents a share, compared with a profit of $18.3m, or 30 cents a year ago.

Like most of its competitors, the previously high-flying Californian pioneer of the personal computer business has been hit by the slowdown in demand. Net sales were down at $375m from $422m previously.

The provision has been made for plant and equipment write-downs and other reorganisation costs, including the recently announced closure of two of its three U.S. factories and the axeing of 1,200 jobs, cutting the workforce to 4,600.

Despite the loss, nine-month earnings were 17 per cent ahead at $38.87m, or 63 cents, against $33.25m, or 55 cents a year earlier. Half-year sales were 45 per cent higher at $1.51bn, equal to those achieved for the whole of the previous fiscal year.

Mr John Sculley, president and chief executive officer, said that the company's break-even point had been lowered. The reshaping enabled Apple to focus more clearly on key markets and bring products to the market more quickly. The company was confident that it was well positioned to take advantage of future growth in the industry.

Cash reserves grew by $60.4m over the quarter to $254.6m.

WEST GERMAN BANK HELPED BY DECLINE IN INTEREST RATES

BfG gains on improved margins

BY JOHN DAVIES IN FRANKFURT

BANK für Gemeinwirtschaft (BfG), the West German trade union-owned bank, has been benefiting from a recovery in its interest rate margins since April after tighter margins on credit business put pressure on earnings earlier this year.

Herr Thomas Wegscheider, the chief executive, said that earnings in the first few months of this year were not entirely satisfactory. It appeared now, however, that the year's results would be comparable with last year's performance.

BfG, whose group assets reached DM 62.7bn ($22.1bn) at the end of last year, found its margins were squeezed as higher money market interest rates made refinancing dearer earlier this year. But with interest rates since resuming a downward trend in West Germany, BfG's interest rate margin improved, at first slightly in April and then more strongly.

Herr Wegscheider said that demand for credit, which was relatively weak earlier in the year, had begun to pick up, although building finance and consumer credit were still slow-moving.

BfG's total non-bank lending at the end of June amounted to DM 25.9bn, slightly more than the DM 25.4bn total at the end of last year.

Herr Wegscheider said that operating earnings last year were, as expected, lower than the record results of 1983. The interest rate surplus was DM 915m, the second highest result after a record surplus of DM 1.05bn in 1983. Its commission earnings for services edged down to DM 170m from DM 173m in 1983.

Profits were again put entirely into reserves to build up the bank's capital position, Herr Wegscheider said.

He added that BfG would have no problem in meeting the capital-to-lending ratio required of banks, including all subsidiaries, in the six-year transition period to 1991. He indicated that BfG might issue profit-sharing certificates (Genußscheine) as part of a capital increase, but had no concrete plans.

BfG and Volksfürsorge Lebensversicherung, one of the country's largest life assurance groups, opened a joint branch to conduct banking and insurance business at Eutin, north of Hamburg, last month. They plan to open four other joint branches in southern Germany later this year.

The joint venture, which was announced earlier this year, is one of a number of moves made in Germany during the last couple of years for closer association of banking and life assurance.

Herr Wegscheider said that BfG and its partner would also examine whether their existing branches throughout the country could be adapted to offer both banking and insurance services.

R. J. Reynolds' performance up ahead of merger with Nabisco

BY CHRIS CAMERON-JONES IN NEW YORK

R. J. REYNOLDS, the second largest U.S. tobacco group, which is merging with Nabisco Brands, yesterday turned in second quarter pre-merger net earnings of $228m, or 86 cents a share on smaller equity.

This represented 12 per cent growth on continuing operations but a $38m decline on the $266m, or 89 cents, reported for the quarter last year. The advance by continuing operations reflected improved performance by both the tobacco and foods and beverages businesses.

For the half-year, Reynolds showed a $55m rise in earnings from continuing operations to $410m, or $1.52 a share.

The group agreed in June on the $4.93bn merger with Nabisco to create the biggest consumer products group in the U.S.

Six-month sales at Reynolds increased to $6.3bn from $6.2bn, with $3.4bn, against $3.36bn previously, coming in the latest quarter.

Tobacco earnings were 15 per cent ahead at $352m in the quarter as margins benefited from cost cutting, greater efficiency, increased productivity and higher prices.

Earnings from food and beverages were up 8 per cent at $121m, on the back of a strong performance by Del Monte, more Kentucky Fried Chicken stores and good spirits volume at Heublein.

Reynolds' smaller rival Philip Morris, which also has interests in drink products, achieved a 25 per cent advance in reported second quarter net earnings to $321.7m, or $2.68 a share, from $257.3m or $2.10.

There were increases in revenue and volume at Philip Morris U.S.A. but at Philip Morris International the effects of strong volume gains were offset by adverse exchange rates. Revenues were down at Miller Brewing, 7-Up and the industrial division.

The group pushed six-month earnings to $578.1m or $4.80 a share from $462.4m or $3.76. Operating revenues for the first half reached $7.03bn, up from $6.86bn. This included a rise to $3.72bn in the quarter, from $3.61bn.

Beretta to invest $10m in Maryland

BY ALAN FRIEDMAN IN MILAN

BERETTA, the Italian arms maker, which recently beat U.S. competition to win a $75m contract to supply 315,000 of its pistols to the Pentagon, is to invest $10m in new plant and expanded production capacity in Maryland.

The Italian company, which already has a U.S. subsidiary in Maryland, says it is in talks with the state government regarding subsidised loans and grants for the new factory.

Beretta is to supply the U.S. armed forces with its Beretta 92 pistol, which is to replace the Colt 45. The contract is for three years and a team of U.S. government technicians recently visited Beretta's highly automated factory in Gardone Valtrompia, in the foothills of the Alps north of Brescia.

Sig Ugo Gussalli Beretta, the managing director, said that U.S. sales would expand significantly beyond the $19m recorded in the 12 months of June 30. He expected the effect of the new Pentagon pistol order to be felt in the company's 1986 accounts.

Beretta had 1984 sales of L101.4bn ($55m). When the Beretta family's subsidiary holdings in machine tools and numerical controls systems (Mi-Val) were added, the total group sales last year were about L180bn ($97m), Sig Beretta said.

Sig Beretta explained that the Pentagon was implementing a strict system of prototype testing and quality control for the pistols, which would eventually be used by the U.S. army, marines, navy and coastguard. He said a small sample of Beretta 92 models was taken to Washington last week and that 400 pistols would be tested in September. From year-end, Beretta would be expected to ship at the rate of 6,000 a month.

The Maryland investment is to be largely geared toward enlarging factory space, constructing a building and tooling up for production.

Sig Beretta said exports would account for 60 per cent of the company's turnover this year, which would be near to the 1984 level.

Beretta employs 1,200 workers in Italy and 130 in the U.S. The company produces 200,000 rifles and shotguns a year and 130,000 hand weapons. It is 67 per cent owned by the Beretta family and 33 per cent by Fabrique Nationale de Liège, a Belgian arms maker.

Fermenta in tap to fund Pierrel stake

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

FERMENTA, the fast-growing Swedish antibiotics and biotechnology group, is making an international issue of new equity worth some SKr 212m ($25m) to complete its takeover of an 80.5 per cent stake in Pierrel, the Italian pharmaceuticals and fine chemicals group.

It acquired the Pierrel stake in January. Some 52 per cent of the Italian company's shares have been temporarily held by two Swedish banks, Svenska International and Gotabanken, under a warehousing agreement pending the share issue.

Fermenta is now issuing 625,000 shares (category B unrestricted) at an expected price of around SKr 340 each in exchange for the Pierrel stake. The issue is equivalent to about 7 per cent of the total Fermenta equity.

An additional 700,000 Fermenta shares were issued earlier this year in exchange for the balance of the Pierrel shares.

The latest Fermenta issue will be priced in London today. The company hopes later to acquire a listing on the London Stock Exchange.

Fermenta has been a star performer on the lack-lustre Swedish stock market since its launch last summer, with its share price jumping from the issue level of SKr 85 to a recent high of SKr 352.

The company was established at the beginning of 1982 by Mr Refaat El-Sayed, an Egyptian-born biochemist, who bought up the previously lossmaking fermentation operations of Astra, Sweden's leading pharmaceuticals group.

Fermenta has grown rapidly through a series of acquisitions and now has production facilities in France, Italy and the U.S. as well as Sweden, together with joint-venture operations either planned or established in Ireland, South Korea, Taiwan, India and Egypt.

Sales are forecast to total more than SKr 1.4bn this year compared with SKr 95m in 1982, while profits before tax and extraordinary items are expected to top SKr 270m compared with SKr 2m in 1982.

Fermenta is planning three further acquisitions this year, including two fermentation and pharmaceuticals companies in Italy and Brazil and a further genetic technology company in the U.S. It recently bought a 9.5 per cent stake in Amgen, a Los Angeles based genetic engineerings research company.

After the latest share issue Dr El-Sayed will own some 44 per cent of Fermenta capital and control 78 per cent of the votes.

Coca-Cola's profits rise 6% in quarter

By William Hall in New York

COCA-COLA, which last week changed its mind in a startling about-face and said it would reintroduce its famous brand which it had scrapped three months ago, yesterday reported a 6 per cent increase in second quarter net income to $196m.

Mr Roberto C. Goizueta, chairman of Coca-Cola, said that the group's "worldwide soft-drink business is engaged in a very dynamic period of activity across the product line." This was being reflected in strong volume and earnings.

The group's sales rose 5.8 per cent to $2.0bn in the second quarter and earnings per share rose 7.1 per cent to $1.50. This rate of growth is slightly faster than in the first quarter when earnings per share rose 5.9 per cent to $1.08. In 1984, the group's earnings per share for the full year rose by 16.1 per cent to $4.76.

Coca-Cola yesterday repeated its bold forecasts that it expected well over 50 per cent of all cola sales in the U.S. by the end of the year to bear the Coca-Cola trademark and that the group would account for more than one in three of all soft drinks sold in the country.

Dow Chemical sees better trend

BY OUR NEW YORK STAFF

DOW CHEMICAL, the second biggest U.S. chemicals group, yesterday reported a 16.7 per cent drop in its second-quarter net income to $155m but said that its performance had improved from last year's weak second half.

The company earned 81 cents per share in the latest three months against 96 cents in the same period last year. Sales were unchanged at $3bn.

In the first quarter of 1985, Dow earned $110m against $79m in the final three months of last year when the company was hurt by unexpectedly weak demand and the high dollar.

Mr Robert M. Keil, Dow's chief financial officer, said that the improvement represented a "positive trend." He noted that particularly strong quarterly performances were realised by the specialised agricultural and consumer products groups. Increased earnings were also reported for styrofoam brand plastic foams and epoxies.

Mr Keil said that the group experienced further improvement in basic chemicals. Dow's manufacturing plants ran at a high rate of capacity and a variety of products – notably glycerine, chlorinated solvents and ethylene amines – contributed strong returns. A continued emphasis on rationalising production facilities would bolster Dow's recovery in this business, he said.

Dow also benefited from declines in the unit costs of hydrocarbons and energy. The earnings of Dow's related companies rose 24 per cent compared with the first quarter and "noteworthy gains" were realised in Dow's global pharmaceuticals business.

In contrast with Dow's encouraging statement, the New Jersey-based American Cyanamid, reported a 33.8 per cent drop in second-quarter earnings to $38m, or 78 cents per share. It said that 1985 was turning out to "be a very difficult year in the chemical and fertiliser industries."

Norcem expects big improvement

BY FLEMMING DAHL IN OSLO

NORCEM, the Norwegian cement and building materials group which is also heavily involved in offshore oil activity, produced a pre-tax profit of NKr 5m $600,000 in the first four months of this year, compared with a loss of NKr 2m in the same period of 1984.

The group expects the year-end result to be "considerably better" than the 1984 pre-tax profit of NKr 227m. The result of the first four months of this year was influenced by a normal low level of sales in the building materials sector, it said. Total sales in the first four months amounted to NKr 1.1bn, up from NKr 884m in the same period last year.

● **Storebrand-Norden**, the Norwegian insurance group, has agreed to sell its shipping investments to a group of investors in a deal worth NKr 110m ($13m). A final deal will depend on the buyer's ability to finance the takeover by September 20. Storebrand-Norden said it was selling because it wanted to concentrate on activities which "naturally relate to each other."

The shipping investments, gathered in a company called Poseidon, are spread on 86 different projects, mainly oil rigs, bulk ships and tankers. Poseidon reported a 1984 pre-tax profit of NKr 17m. The buyer's intention is to seek a listing for Poseidon on the Oslo stock exchange.

Krupp to buy control of toolmaker

By Rupert Cornwell in Bonn

KRUPP, the leading West German steel and engineering group, is taking majority control of the family-run Werner und Pfleiderer, a Stuttgart-based manufacturer of plastic and rubber working machine tools.

Under the terms of the deal, announced yesterday, Krupp will acquire the 30.03 per cent stake in Werner und Pfleiderer currently held by the British engineering company, Baker Perkins Holding, with effect from next December 31.

On the same date, Krupp will purchase – subject to approval from the federal cartel authorities in Berlin – a further 20.07 per cent of Werner und Pfleiderer from the Fahr and Werner families, which presently own it, thus boosting its stake to a controlling 50.1 per cent.

Under the terms of the agreement, the Stuttgart company will then be converted into a private, limited-liability company from its present satus of partnership.

Krupp last night gave no details of how much it would pay for its majority interest in the listed DM 21.7m ($7.6m) capital of Werner und Pfleiderer.

Disposals curb growth at Merck

BY OUR NEW YORK STAFF

THE STRONG dollar and the effect of disposals depressed sales and curbed earnings growth in the second quarter at Merck, the U.S. drug company. Net profit was ahead from $131.37m or $1.78 per share, to $137.93m or $1.92, on sales 2 per cent lower at $877.37m against $891.29m last time.

As a result, first-half earnings emerged 5 per cent up at $269.45m, or $3.75 a share, compared with $256.5m or $3.47. Sales for the period were little changed at $1.73bn.

Dr P. Roy Vagelos, the newly-elected president and chief executive officer, said that without the effects of the disposal of the two subsidiaries, Calgon Carbon and Baltimore Aircoil, sales for the quarter would have been 9 per cent higher at constant exchange rates.

The effect of the exchange rate on sales and income was partly offset by improved product mix, he said. Unit sales gains during the first half were led by newer products.

Analysts see Primaxin, a new injectable antibiotic, and Vasotec (Ebalapril) which Merck expects to introduce in the U.S. before the year end, as strong contributors to future growth.

Earnings of the young Elands-Sterling Drug, a smaller U.S. drugs and household products group, lifted second quarter net earnings to $33.1m or 55 cents a share, from $32.19m on continuing operations or $30.7m final net earnings or 51 cents, last time. Sales in the quarter were up at $453.64m compared with $449.95m.

Gold mines have mixed results

BY KENNETH MARSTON, MINING EDITOR

THE SOUTH AFRICAN gold mining industry's June quarterly reporting season is brought to a close by the Anglo American Corporation group. Although slightly higher gold prices have been received and costs have been contained, net profits for the quarter make a mixed showing.

Ironically, a disappointing profit comes from Vaal Reefs, which also announced a considerably better than expected 1985 interim dividend of 800 cents (303p). This compares with 600 cents a year ago and the subsequent final for 1984 of 740 cents.

Among the other interim payments declared the 240 cents from Southvaal reached best expectations while the distributions of 40 cents and 20 cents, respectively, from Elandsrand and South African Land and Exploration are in line with forecasts.

There may be disappointment, however, with Western Deep's interim of 220 cents, although it is still well up on the 1984 interim of 185 cents which was followed by a final of 265 cents.

Net profits of Vaal Reefs for the latest quarter have fallen to R111.9m (42.4m) from R114.3m in the previous three months and R130.7m in the December quarter.

DIVIDENDS (cents)

	June	Dec	June	Dec
Elandsrand	*40	35	*15	20
SA Land	*20	20	*20	30
Southvaal	*240	220	*200	180
Vaal Reefs	*800	740	*600	610
W. Deep	+220	265	*185	215

* Denotes interim

The fall reflects a loss of gold production of 4,257 kg caused by the black labour unrest in May.

Particularly affected was the big mine's South Lease area, which is mined on behalf of Southvaal by Vaal Reefs. Royalties paid for this to Southvaal have thus fallen to R47.4m from R63.8m in the March quarter. Vaal Reefs states, however, that its total gold output for the year should still approximate that of 1984.

Western Deep shows a good recovery in net profits to R95m after the fall to R67.4m in the March quarter, when there was a sharp increase in the tax charge. This time tax has fallen in line with a rise in tax-offsetting capital expenditure.

Because of the good gold price, spending for the year is to increase to R250m from the originally budgeted R228m and most of the increase will go on the No 1 shaft.

Elandsrand have improved further with a modest rise in both gold output and price received. During the quarter, 497,000 tonnes of ore were milled. Early next year, the expanded mill should be operating at full capacity of 200,000 tonnes a month.

A plant overhaul has resulted in lower gold and acid production at the East Rand Gold and Uranium (Ergo) dump retreatment operation. This coupled with a higher tax charge has resulted in a temporary setback in net profits.

Sales costs have risen because of spending on the overhaul, together with that on the new carbon-in-leach gold recovery plant. Commissioning of the plant is almost complete and it is expected to produce 2,000 kg of gold this year.

Of the Orange Free State mines, President Brand was not due for a half-yearly dividend from Welkom Gold in the latest quarter. This, together with lower income from the Joint Metallurgical Scheme project, explains the fall in earnings from those of the previous three months.

Free State Geduld has earned more at pre-tax level, but has seen its tax charge double as a result of a fall in capital spending. Its latest development values on all reefs come out well.

American Express cable offer

By Our New York Staff

AMERICAN EXPRESS, the U.S. financial services group, late yesterday formally offered to buy for $450m in cash the 50 per cent of its Warner/Amex cable television joint venture with Warner Communications which it does not already own.

The proposal is part of American Express's previously announced plan to sell the lossmaking Warner/Amex unit to American Television and Communications (ATC), the Time Inc subsidiary, and Tele-Communications.

As part of the new proposal, ATC and Tele-Communications, which had already sweetened their initial $750m bid for Warner/Amex to $850m in cash and the assumption of $500m in debt, yesterday agreed to increase the bid by another $50m to $900m in cash.

Warner Communications has appeared reluctant to sell its 50 per cent stake in the joint venture and has so far declined to respond to the ATC/Tele-Communications bid.

Under the terms of the American Express bid, the group gave its joint venture partner an August 14 deadline to accept its offer or to agree to American Express's stake at the same price.

EUROBONDS

U.S. worries keep trading thin

BY MAGGIE URRY IN LONDON

THE EURODOLLAR bond market was sent reeling yesterday when the New York bond market opened a point lower and the dollar was again weak.

The downward revision of the U.S. second-quarter gross national product (GNP) figure was better than the market had feared, but it was outweighed by other anxieties about the U.S. economy.

Traders said that business was thin in the Eurobond market, with prices marked down by up to a point.

The new issue market was also badly hit, with Texaco's $300m issue, launched on Wednesday, slipping to trade at a discount of around 4½ points to its 98¾ issue price. With commissions of 2 per cent on the deal, the four co-lead managers – including Credit Suisse First Boston (CSFB) as book runner – and seven co-managers are sitting on substantial losses.

The launch yesterday morning of a $100m deal for Trafalgar House, the UK property, construction and industrial holding group, by Barclays Merchant Bank was unfortunate timing.

The seven-year deal pays a 10¾ per cent coupon and has a par issue price. It is in partly-paid form with 25 per cent due on August 14 and the balance payable on February 14, 1986.

The payments are designed to suit the borrower's cash-flow needs rather than a swap. The proceeds will be used to refinance short-term dollar borrowings connected with Trafalgar House's U.S. investment.

New issue managers said that the name was not well known in Europe, although it had an outstanding D-Mark issue and owned, among other assets, the QE2 liner and the Ritz hotel in London. Moreover, the partly-paid formula was not popular.

So when the market slid, the issue fell too, and was quoted at a discount well outside the 1⅞ per cent fees.

The floating-rate-note market was much quieter than the straight market and saw its first issue of the week. It is a $100m deal for First Bank Systems of Minneapolis. The issue has an 11¾-year life and pays interest at ⅛ per cent above three-month London interbank offered rate. CSFB led the deal.

The borrower made its Eurobond debut in January with a similar deal. This time the commissions were set higher at 62½ basis points. The bonds were quoted just within that discount.

In the sterling market, the World Bank's £100m bulldog was more than 10 times over-subscribed. Lead manager Barings scaled down applications severely. Investors who applied for £2,000 principal amount or less will receive a full allocation.

The D-Mark Eurobond market's performance yesterday was the reverse of that of the dollar bond market making gains of up to a ½ point. It fell back slightly when the Bundesbank announced that it was not cutting interest rates immediately, although it did inject liquidity into the market.

The Swiss franc foreign bond market was less active, with prices unchanged to slightly firmer. The SwFr 70m issue for BP, which has a 5⅝ per cent coupon and 12-year life, ended its first day's trading at 99¾ compared with its 100¼ issue price.

Korean joint venture for Procter

By Steven Butler in Seoul

PROCTER and Gamble of the U.S. and Pacific Chemical of Korea have agreed to establish a joint venture company aimed at Korea's rapidly growing consumer market.

Following another joint venture established by Unilever, it is a further sign of international recognition that Korea's domestic demand for consumer goods is likely to grow explosively in the coming years, as personal income begins to reflect the rapid growth in the economy.

Procter & Gamble and Pacific Chemical will each invest 10bn won ($11.8m) to set up a company that will manufacture cosmetics, detergents, and plastic products.

The companies hope to achieve sales of 70bn won by 1990, with a small portion, 3.4bn won, aimed for export.

The venture is still subject to approval by the Korean Government.

INTERNATIONAL COMPANIES and FINANCE

RCA growth slows in second quarter

BY WILLIAM HALL IN NEW YORK

RCA, the U.S. entertainments and communications group, has experienced a slowdown in second quarter growth, with net earnings rising 5 per cent from $109.9m or $1.13 a share to $115.8m or $1.36.

*For the first six months, net earn*ings rose 13 per cent from $160.2m or $1.53 a share to $180.8m or $1.94. Sales edged up from $4.84bn to $4.94bn, with $2.54bn ($2.48bn) in the second quarter.

Mr Robert R. Frederick, RCA's chief executive, said yesterday: "Despite the difficult operating environment for certain of our electronics and consumer oriented businesses, we expect that continuing *excellent results in the entertain*ment and government-related businesses will assure good overall performance for 1985."

In its entertainment operations, *earnings of the NBC subsidiary* rose 43 per cent to a record level. Earnings and sales of RCA's records and video operations and aerospace and defence businesses also set new highs.

The group's consumer electronics operations were hit by overcapacity in the video recorder industry and severe price competition in television sales, however. The solid state products division continued to suf*fer reduced demand for semicon*ductors and significant price erosion. Communications achieved record sales but earnings declined and the Hertz car rental operations, which are in the process of being *sold to United Airlines, also turned* in substantially lower profits because of "the highly competitive pricing environment" and continued softness in vehicle resale markets.

Chevron considers sale of downstream network

BY OUR NEW YORK STAFF

CHEVRON, the U.S. oil group which is still digesting last year's $13.3bn takeover of Gulf, is seeking a buyer for a large part of its downstream operations in the north-eastern U.S.

The group has approached several companies about the possibility of buying a "balanced refining and *marketing operation" in the north*east. The package includes a 174,000 barrel a day refinery in Philadelphia and some 4,000 service stations plus associated distribution facilities.

Chevron has asked interested parties to sign a confidentiality agreement in return for receiving details of the specific assets which are being offered. No price has been mentioned.

The company is currently streamlining its downstream operations which, in common with those of many other oil companies, are proving a major drag on earnings. The sale of the north eastern operations would improve efficiency and re*duce the group's heavy debt load.*

Several oil companies have been losing money on their downstream operations in the north eastern part of the country. Earlier this year Atlantic Richfield announced plans to pull out of all refining and marketing operations east of the Mississippi and concentrate on its profitable west coast markets.

Siemens and GTE plan co-operation

By Paul Taylor in New York

SIEMENS of West Germany and GTE of the U.S., two of the world's *leading telecommunications* equipment manufacturers, are considering linking in an effort to win a larger slice of the worldwide market for advanced telephone exchange equipment.

GTE, one of the rivals in the race to secure key U.S. contracts from the Bell system telephone operating companies for advanced digital switches, confirmed that the two companies "are engaged in discussions looking to the formation of a business affiliation in the telecommunications networking area."

Any development or marketing agreement between the two companies could mirror the 1982 joint venture agreement between American Telephone and Telegraph (AT&T), and the Dutch Philips group.

Siemens, like L.M. Ericsson of Sweden and other foreign competitors, is fighting to gain a foothold in the fiercely competitive U.S. market, while consolidating its strength in Europe against American competitors such as ITT.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for July 18.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 10⅞ 90	100	101½	102	−0¼	−0¼	10.37
Amex Credit 12⅝ 88	150	105¾	106¼	−0¼	−0⅝	10.31
Atlant Richfld 10¼ 00	250	94¼	94¾	−0½	0	11.01
Bank of Tokyo 13⅜ 91	100	112⅜	112⅞	+0⅛	−0⅜	10.64
BP Capital 11⅛ 92	150	102	102½	−0¼	−0½	10.60
Canada 11½ 90	500	105⅜	105⅞	−0⅞	−0⅜	9.91
Canadian Pac 10¾ 93	100	101½	102	−0⅜	−0⅜	10.41
Canadian Pac 12½ 99	75	107⅝	108⅛	−0⅜	−0⅝	11.34
CBS Inc 11⅜ 92	100	102⅛	102⅝	−0⅛	−0¼	10.85
Chevron U.S.A. 12¼ 89	600	104½	105	−0¼	−0¼	10.78
Citicorp 11½ 95	150	101⅜	101⅞	−0¼	−0¼	11.21
Coca Cola 11¾ 91	100	106½	107	−0¼	−0⅜	10.21
Denmark Kingdom 11¼ 89	100	102¾	103¼	−0⅛	−0⅜	10.23
Denmark Kingdom 11½ 90	100	104⅛	104⅝	−0¼	−0¾	10.28
Denmark Kingdom 11½ 92	100	103⅜	103⅞	−0¼	−0½	10.69
Denmark Kingdom 13¾ 91	100	110⅜	110⅞	−0½	−1	10.78
Denmark Kingdom 14 91	100	109⅞	110⅜	−0⅝	0	11.54
E.E.C. 11⅛ 90	100	103¼	103¾	−0⅛	0	10.09
E.I.B. 12 95	200	107⅜	107⅞	−0⅛	−0¼	10.69
E.I.B. 13 96	200	110½	111	0	−0⅝	11.25
Export Dev Corp 10 90	100	99⅜	99⅞	−0⅜	+0⅛	10.09
Export Dev Corp 12 89	100	106⅛	106⅝	−0⅜	−0⅛	10.06
Ford Motor Cred 11⅜ 90	100	102	102½	−0⅛	−0⅝	10.89
Ford Motor Cred 11⅝ 95	100	101¾	102¼	−0⅛	−0⅞	11.25
Ford Motor Cred 11¾ 92	100	102⅝	103⅛	−0⅜	−0¼	11.10
Ford Motor Cred 12 95	100	104⅝	105⅛	0	−0⅞	11.12
Gen Elec Credit 10¼ 00	200	100⅜	100⅞	−0⅜	−0½	10.16
GMAC 10¼ 89	200	100⅝	101⅛	−0⅜	−0½	9.85
IBM Credit 10⅜ 2000	300	101	101½	−0½	−0¼	10.19
Indust Bk Japan 12⅞ 89	100	108¼	108¾	−0¼	−1	10.25
Japan Air Lines 13⅝ 94	160	118½	119	−0⅛	0	10.11
Kellogg Company 10⅞ 90	100	101¾	102¼	−0¼	−0¾	10.29
Kellogg Company 11¼ 92	100	103	103½	−0⅛	−0⅜	10.50
L.T.C.B. 12⅞ 91	100	109⅛	109⅝	−0⅜	−0⅛	10.72
Macy Cred Corp 11¾ 95	100	104	104½	−0⅜	−0⅜	10.90
Mellon Bank 13 87	100	105¼	105¾	−0¼	−0⅜	9.96
Merrill Lynch 12¾ 89	100	105	105½	−0¼	−0¾	11.08
Minnesota 11½ 87	100	103⅜	104⅛	0	−0⅛	9.51
Mitsui Trust 11⅜ 90	100	103¾	104¼	+0⅛	−0⅛	10.54
Morgan Guaranty 12⅜ 88	150	106	106½	−0⅜	−0⅜	10.44
Nippon Cred Bk 13⅞ 89	100	110⅝	111⅛	−0¼	−0⅛	10.39
Nth America 12⅞ 91	100	†107⅜	107⅞	−0⅛	0	11.09
Penney J.C. 12¾ 91	100	107½	108	−0¼	−0½	10.94
Pru Realty secs 12⅞ 95	546	106¾	107¼	−0¼	−0⅛	10.88
Quebec Hydro 11½ 92	100	102¾	103¼	−0⅜	−0½	10.86
Ralston Purina 11¾ 95	150	103⅞	104⅜	−0⅜	−1⅝	11.02
Ralston Purina 12¾ 89	100	106⅞	107⅜	−0½	−1⅛	10.54
Royal Bk Can 12¾ 92 XW	100	102½	103¼	−0⅜	+0¼	12.05
Saskatchewan 10 3/4 92	100	101¼	101¾	−0¼	−0⅜	10.49
Saskatchewan 11 7/8 89	100	105⅝	106⅛	−0½	−0⅝	10.09
S Wales Trsy 11¾ 90	150	104¾	105¼	−0⅛	+0¼	10.35
Swed Exp Cred 10 92	100	97½	98	−0⅜	−0⅜	10.46
Swed Exp Cred 12¾ 89XW	100	106⅜	106⅞	−0½	−1¼	10.67
Sweden Kingdom 10⅞ 90	200	102	102½	0	−0⅜	10.24
Sweden Kingdom 11½ 89	200	104	104½	0	−0½	10.21
Sweden Kingdom 11¾ 94	100	105¼	105¾	−0½	−1⅜	10.77
Texaco Capital 12⅞ 87	300	105¾	106¼	−0¼	−0½	9.58
Tokai Asia 11½ 95	100	103⅛	103⅝	−0⅜	−0¼	10.91
Victorian Rep 11⅝ 92	150	103⅜	103⅞	−0½	−0¾	10.82
World Bank 12¼ 94	150	108⅞	109⅜	+0⅛	−0¾	10.64
World Bank 12⅞ 94	200	112	112½	−0⅜	−0⅝	10.69

Average price change On day −0¼ on week −0⅜

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev Bank 8 94	200	104⅜	105⅜	+0½	+0⅝	7.23
Austria Republic 7⅝ 94	200	103⅜	104⅜	+0⅛	+0¼	6.98
Baxter Travenol 7¼ 94	200	101⅜	102⅛	+0¼	+0¼	6.96
Credit National 8⅛ 94	200	105½	106¼	+0⅜	+0⅜	7.17
Degussa Int Fin 7½ 94	100	102⅞	103⅝	−0⅛	+0⅛	6.97
E.E.C. 8 92	200	104¾	105¼	+1⅜	+1	7.01
E.I.B. 7¼ 94	300	101⅝	101⅞	+0⅜	+0⅝	6.98
Escom 8 92	150	99¼	100	+0⅛	0	8.06
Ferrovie Dello Stato 8 91	100	102¾	103¼	−0¼	−0¼	7.32
Finland Republic 7 92	200	100¾	101½	+0⅝	+1¼	6.77
Gould Int Fin 7⅜ 91	100	103⅜	104⅛	+0½	+0⅜	6.82
Ireland 8⅛ 92	150	104½	105¼	+0⅜	+0¼	7.19
Japan Fin Corp 7⅜ 91	100	103⅞	104⅝	+0⅜	+0¾	6.73
Mitsubishi Hvy 3½ 89WW	300	128⅝	129⅞	+2	+3¾	−3.72
Mitsubishi Hvy 3½ 89XW	300	91⅛	91⅞	+0¼	+0⅝	6.13
Mitsubishi Met 3⅛ 89WW	100	100¼	101	+0⅜	−0⅜	2.97
Mitsubishi Met 3⅛ 89XW	100	87¾	88½	−0⅛	−0¼	6.28
Pepsico O/S Fin 7¼ 94	250	103½	104¼	+0⅛	+0⅛	6.64
Renfe 7¾ 95	100	101⅞	102⅜	+0¼	+0⅝	7.43
Renown 3⅛ 90	80	104⅝	105⅝	+0⅜	+0¾	2.03
Reynolds O/S Fin 7⅜ 94	125	103⅛	103⅞	+0⅜	+0⅝	6.93
Societe Cent Nuclear 8 91	100	105⅞	106⅝	+0⅜	+1	6.69
Sth African Tran 7⅝ 92	100	96¼	97	+0⅛	0	8.24
World Bank 7¼ 89	100	102⅜	103⅜	−0¼	+0⅝	6.76
World Bank 8 94	200	105⅞	106⅝	+0¾	+0⅜	7.00

Average price change On day +0½ on week +0¾

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev Bk 6⅜ 94	100	†*101	101¾	+0¼	−0½	6.05
Avon Cap Corp 5⅜ 94	130	†*98¾	99¼	−0⅜	−0⅛	5.51
Brit land Comp 6½ 99	75	†*103	103¼	−0⅛	−0½	6.18
Council of Europe 6 92	120	†*101¼	102	0	+0⅜	5.72
Creditanstalt 5½ 94	100	†*98¼	98½	−0¼	0	5.72
Deutsche Bk Fin 5⅝ 95	100	†*100¾	101	0	−0¼	5.25
E.I.B. 5⅞ 94	120	†*101	101¼	0	−0⅜	5.71
Export Dev Corp 5⅝ 92	125	†*100	100¼	+0½	−0¼	5.35
Gen Occidentale 4½ 94	80	†*102¾	103	+0½	+0¼	4.12
I C Industries 5⅝ 94	125	†*100¼	100½	+0¼	0	5.57
Ind Fund Fin 5¾ 94	40	†*100½	100¾	0	0	5.66
Int-Am Dev Bk 6⅛ 94	120	†*101	101¼	−1	0	5.96
N.Zealand steel 5¾ 96	70	†*98¼	98½	−0¼	−0¼	5.95
Oberos Kttwk 5⅜ 95	100	†*98¼	98½	+0⅛	−0¼	5.59
Ralston Purina 5⅜ 94	125	†*100½	100¾	+0¼	+0½	5.28
Senses Finance Ltd 6 94	130	†*98¾	99	+0¾	0	6.16
Tokyo Elec Pwr 5½ 93	120	†*100	100¼	0	+0¾	5.47
Tokyo Metropolis 5¼ 94	80	†*98¾	99	0	+0¼	5.40
World Bk 5¾ 94	150	†*101¼	101½	0	0	5.55

Average price change On day 0 on week 0

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Austria Republic 7 95	30	100⅝	101⅛	0	+0⅛	6.87
Finland Republic 6¾ 90	75	100	100½	0	0	6.68
Mort Bk Denmark 7 92	10	100½	101	−0⅛	0	6.85
New Brunswick 7⅛ 95	10	101½	102	+0¼	+0⅜	6.87
World Bank 6⅝ 90	25	100	100½	0	0	6.55

Average price change On day 0 on week +0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Avco Fin 14 90 SA	35	105⅝	106⅛	0	+2⅛	12.25
Nat Aust Bank 13¾ 92SA	40	104⅞	105⅜	−0¼	0	12.28
Scty Pacific 13⅞ 95 SA	60	103⅜	104⅜	0	+0½	12.42
Westpac 13½ 88 SA	50	103	104	+0¼	−1⅜	11.86
Can Nat Rail 12½ 95 C$	100	†102¼	103¾	0	−2⅞	11.85
Chrysler Cred 12⅜ 92C$	80	†103¼	104¼	−	−	11.73
Desjardins 12½ 90 C$	50	†103⅜	103⅞	−0⅛	+0⅛	11.46
Genstar Fin 11¾ 95 C$	75	97¼	97¾	+0¼	+0⅛	12.19
New Brunswick 11⅝ 95C$	75	†102⅛	102⅞	−0⅛	−0⅛	11.20
Shell Canada 11¼ 92 C$	75	101⅜	101⅞	−0⅛	−0¼	10.98
Winnipeg City 10⅝ 90C$	50	99¼	99¾	+0¼	+0¼	10.78
Nordic Inv Bk 16 90 NS	50	100⅛	101⅛	+0⅛	−0⅛	15.75
NZ Forest 15¾ 92 NS	30	96⅜	97⅞	+0⅜	+0⅛	16.42
Swedish Export 16 90 NS	50	98	99	+0⅛	+0½	16.46
N.Z. Govt. 9¼ 90 ECU	100	104½	105	+0⅜	+2⅛	8.03
N.Z. Govt. 9½ 92 ECU	100	104⅝	104⅞	+0⅝	+1⅞	8.58
Rabobank 9⅝ 95 ECU	75	107¼	107¾	+0½	+1⅛	8.46
Eurofima 7½ 92 FL	50	102¾	103¼	0	+0¾	6.92
Philips Lamps 7½ 90 FL	100	102¼	102¾	0	+0¼	6.86
Rank Xerox 8 90 FL	100	104⅝	105⅛	0	+0¼	6.78
Van Lanschot 7½ 90FL	50	102⅛	102⅝	−0⅛	+0⅛	6.92
World Bank 7½ 90 FL	150	102¼	102¾	0	+0⅛	6.86
Gaz de France 11¼ 00FF	500	†100¾	101¼	+0⅜	+0⅜	11.10
Amer Express 11⅜ 92 £	30	104⅛	104⅝	+0⅛	+0½	10.41
Australia Comm 11 92 £	40	99¾	100¼	0	+0½	10.97
BP Capital 10¾ 92 £	50	99⅛	99⅝	0	+0½	10.86
E.I.B. 11⅛ 93 £	50	101½	102	+0⅛	+0½	10.78
Imp Chem Inds 11¼ 95 £	75	101⅝	102⅛	+0⅛	+1⅛	10.92
Inco 12¾ 93 £	50	103	103½	+0⅛	0	12.03
Mcdonalds 10⅞ 90 £	40	99⅝	100⅛	+0⅛	+0⅝	10.98
Privatbanken 11⅞ 92 £	20	100⅛	100⅝	−0⅛	+0⅛	11.76
Rank Xerox 11 92 £	40	99¾	100¼	+0⅛	+0⅜	10.90
Royal Trustco 11⅜ 90 £	30	100¼	100¾	−0½	−0¼	11.20
Star Drug Cap 10⅞ 90 £	30	99¾	100¼	0	+0¾	10.84
Swed Exp Cred 11⅜ 92 £	50	101	101½	−0⅛	+0¼	11.07
Tricentrol XW 11 92 £	35	94¼	94¾	0	−2	12.21
T'sthouse Forte 11⅛ 90£	50	99½	100	+0⅛	+0¾	11.18
World Bank 11¼ 95 £	100	102⅞	103⅜	0	+0⅛	10.71
E.C.S.C. 10½ 94LF	100	105	106	0	−0⅛	9.56
Nat Lux Alum 10½ 92 LF	600	105½	106½	−0⅛	0	9.30

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
B.B.L. Int 5 99	0⅛	100⅜	100⅝	11/10	9⅝	9.58
Banco di Roma 5¼ 92	0	99¼	99½	24/7	7.56	7.61
BankAmerica O/S 5¼ 96	0⅛	99⅝	99⅞	3/8	8⅛	8.15
Bank of Montreal 5 96	0⅛	100⅝	100⅞	28/7	8¾	8.68
Bankers Trust 5 2000	0	99⅝	99⅞	11/9	7.69	7.71
Bankers Trust 5¼ 96	0⅛	100	100¼	13/8	8.56	8.55
B.F.C.E. 5¼ 99	0⅛	100⅜	100⅝	13/8	10.06	10.01
B.N.P. 5¼ 96 (July)	0¼	100⅜	100⅝	22/7	9⅛	9.08
C.C.F. 5¼ 97	0	99½	99¾	22/9	10⅝	10.65
Chase Man'tn 5¼ 2009	0⅛	100	100¼	5/9	7.81	7.80
Citicorp O/S 5¼ 96 Sep	0⅛	99⅝	99⅞	19/12	11.19	11.22
Credit Lyonnais 5¼ 96	0⅛	100⅝	100⅞	11/10	9.69	9.62
Dresdner Fin 5¼ 89	0	99⅞	100⅛	25/11	8⅛	8.13
Ireland 5¼ 97	0	99⅞	100⅛	26/10	9.00	9.00
Ireland 5¼ 99	0	100⅝	100⅞	14/9	10	9.93
Italy Republic 5 94	0⅛	100	100¼	12/11	8⅞	8.86
Lloyds Euro 5 2004	0⅛	100⅜	100⅝	10/10	9⅛	9.08
Midland Bank Perp 5	0¼	99¾	100	15/12	8⅛	8.14
Nat West Perp 5	0⅛	100¼	100½	13/11	9⅛	9.09
Nat West Perp A 5¼ S	0¼	99½	99¾	9/1	8¼	8.28
Nat West Perp B 5¼ S	0¼	99½	99¾	9/8	5¼	5.27
Queensland Coal 5¼ 96	0¼	100¾	101	12/11	9	8.92
Roy Bk Scot 5½ 2005 £	0	99	99¼	2/8	12.81	12.93
Sweden Perp 5¼	0¼	100¼	100½	9/1	8.31	8.38
Tokai 5¼ 99	0⅛	100¼	100½	12/12	8⅛	8.00

Average price change On day 0 on week 0

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 3 99	4/84	1053.64	105¾	106¾	−0⅛	5.34
Fanuc 3¾ 98	1/84	7032.3	141	142½	−2	33.97
Fujitsu 3 99	5/84	1320.9	79½	80½	−1⅜	−15.88
Kumagai Gumi 3½ 2000	3/85	600	143	144½	+1⅛	−6.85
Marui 3½ 99	7/84	1162	114⅝	115⅝	−0⅜	4.76
Mitsubishi Elec 2⅞ 00	3/85	422	93⅛	94⅜	−0⅜	−1.76
Murata 3½ 99	2/84	2351.2	87	88	−0¼	28.36
Murata 3½ 2000	7/84	2398	86⅞	87⅛	+0⅛	30.35
Nippon Elec 2⅞ 2000	1/85	1295	82¾	83¾	0	20.27
Nippon Oil Co 3 2000	5/85	923	110⅛	111⅛	−0¼	1.74
Nippon Oil Co 3¼ 99	3/84	1052	103	104	0	17.87
Oki Elec Ind 3½ 99	10/84	805	98¼	99¼	+0¼	25.65
Orient Leasing 5¼ 98	6/83	2660	111¾	113¼	−0¾	−5.13
Sekisui House 3 99	6/84	612	124⅜	125⅜	−0⅝	5.86
Sony Corp 2 2000	5/85	4578	85¼	86¼	−0⅛	0.65
Sumitomo Corp 2⅞ 99	5/84	593	130½	131¾	+1⅛	1.22
Taiyo Yuden 3¼ 2000	3/85	1078	99	101½	+0¼	−0.82
Takeda Riken 3⅜ 2000	10/84	7863	†*77½	78½	0	40.22
Tokyo Sanyo Elec 3¼ 99	12/84	772	96	97¼	−0⅛	−1.94
Toshiba Ceramics 3 2000	4/85	1734.2	78⅞	79⅞	−0⅜	3.56
Nippon Oil Co 2⅜ 92 SF	3/84	1052	†*107	107¼	−0⅛	13.86
Nippon Shinpan Co 2 92 SF	3/84	801	†*105½	105¾	+3⅜	18.47
Asics 5 92 DM	12/83	520	185¼	186¼	−0⅜	28.15
Sum Realty 6¼ 92 DM	2/83	338	†*300	301	−5	−1.94

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week — Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date — Date next coupon becomes effective. Spread — Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. — current coupon. Cu. yld — current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day — Change on day. Cnv. date — First date for conversion into shares. Cnv. price — Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem — Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Eurobond houses face up to the challenge of self-regulation

BY MAGGIE URRY

ONCE AGAIN the Eurobond market is faced with a challenge. This time the threat is from the regulators. Like the rest of the London-based financial services industry, the market's representatives must spend this summer preparing proposals in time for the deadline set by Sir Kenneth Berrill, chairman of the Securities and Investments Board, for self-regulatory organisations (SROs) to declare themselves.

Sir Kenneth picked out Eurobond trading as an area of particular concern to British regulators. Yet many people within the industry doubt whether the market could have fought off the competition to become the second largest capital market in the world, with a value close to \$300bn, had it been fettered by outside regulation.

The body most likely to act as the SRO for the Eurobond market is the Association of International Bond Dealers (AIBD), which was founded 17 years ago to represent the market's interests. Mr Damien Wigny, the AIBD's chairman, who is also an executive director of Kredietbank Luxembourgeoise, says: "If the market is to remain free it must preoccupy itself more with self-regulation."

The AIBD has already done much to prepare for this role. At its annual meeting in May a package of reforms was passed in principle which will enable the AIBD board to take swift action to make and change the rules by which the market operates.

In putting the reform proposals to the AGM, Mr Wigny said: "A number of us on the board had for some time sensed that something had to change, and change fast, if AIBD were to have any further role as a self-regulatory body for the Eurobond secondary market."

The need for reform was illustrated by the scandal which blew up in the Eurobond market in June last year when traders at two firms, Bear Stearns International in London and Union Bank of Switzerland (Securities) in New York, acted together to deal at prices different from market prices, enabling them to pocket the difference.

The dispute led to the first use of the AIBD's arbitration procedure. Eurobond traders were furious at suggestions from outsiders that fraud is endemic in the market because of the lack of regulation, and that this case was the tip of an iceberg.

Regulatory authorities, such as central banks, began to take an interest in the issue. The AIBD's response was to propose an amendment to its rules at the May AGM, although Mr Wigny stressed that lack of regulation was not the problem: "Nothing can be done in any international market where two parties to a deal, or their staffs, act with fraudulent intent."

The rule change required dealers to state on contract notes whether a deal was concluded at a price different from the prevailing quotation in the market. The AIBD has introduced a system of recording daily prices, although this cannot be wholly satisfactory in a

Damien Wigny: in favour of reform

market where many dealers make prices over the telephone in the same issues, and where there is no central market place such as a stock exchange, at which official prices are quoted which can then be used for reference.

In putting the amendment, Mr Tom Beacham, chairman of the AIBD's market practices comimttee, said: "We, as a responsible capital market, must be seen to regulate ourselves, particularly if we do not want to have others to do it for us."

The meeting adopted the amendment, but by then almost a year had passed, since the problem which necessitated the change had arisen. Had the board been empowered to make and amend rules, at the time of the fraud's discovery, a response could have come much more quickly to reassure the market and regulators alike.

Detailed proposals for strengthening the AIBD, which will be put to an extraordinary general meeting in December, cover three main areas:

- Changes to rules and recommendations on trading and settlement practices to be made by the board itself, rather than the AGM, to speed up the process. The AGM would retain a right of veto.
- a change in the board's election process with nominations to be made by a special committee, as well as individual nominations, and one-third of a 15-member board re-elected each year.
- greater responsibility to be laid on the AIBD's regional organisations for the good functioning of the market, with the establishment of regional committees.

If approved, the new system will come into force after the next AGM in May 1986.

Mr David Watkins, a new member of the AIBD board, points out that "there are various authorities who wish to encourage regulation in the Eurobond market. The AIBD will now be better placed to respond to those pressures on behalf of its membership."

However, the AIBD shares the same difficulties in regulating the Eurobond market as any other self-regulatory body. The associations *raison d'etre* is to serve its members' interests, not to provide protection for investors — the object of the British Government's forthcoming legislation.

U.S. QUARTERLY RESULTS

ETHYL
Chemicals Plastics Aluminium

	1985 \$	1984 \$
Second quarter		
Revenue	404.3m	448.5m
Net profits	16m	35.8m
Net per share	0.25	0.48
Six months		
Revenue	781.7m	884.5m
Net profits	44.2m	60.3m
Net per share	0.69	0.76

GANNETT COMPANY
Publishing, Broadcasting

	1985 \$	1984 \$
Second quarter		
Revenue	556.9m	491.7m
Net profits	71.8m	59.7m
Net per share	0.9	0.75
Six months		
Revenue	1.04bn	916.9m
Net profits	113.1m	94.5m
Net per share	1.41	1.18

KROGER COMPANY
Supermarkets

	1985 \$	1984 \$
Second quarter		
Revenue	3.99bn	3.8bn
Net profits	46.7m	43.2m*
Net per share	1.07	0.96*
Six months		
Revenue	7.8bn	7.4bn
Net profits	78.1m	62m*
Net per share	1.77	1.38*

*Includes \$10m store closing costs.

MACMILLAN
Publishing

	1985 \$	1984 \$
Second quarter		
Revenue	145.3m	104.9m
Net profits	6.8m	5.1m
Net per share	0.30	0.27
Six months		
Revenue	244.9m	182.3m
Net profits	7.3m	4.8m
Net Per Share	0.35	0.25

GAF
Building Materials

	1985 \$	1984 \$
Second quarter		
Revenue	188.1m	191.3m
Net profits	15.4m	11.9m
Net per share	0.87	0.77
Six months		
Revenue	363.9m	361.2m
Net profits	26.5m	19.3m
Net per share	1.61	1.23

GREAT WESTERN FINANCIAL
Savings and Loans

	1985 \$	1984 \$
Second quarter		
Revenue	846.8m	685.2m
Net profits	45.3m	27m
Net per share	1.13	0.78
Six months		
Revenue	1.67bn	1.32bn
Net profits	77.3m	62.2m
Net per share	1.93	1.47

LSI LOGIC
Customised Chips

	1985 \$	1984 \$
Second Quarter		
Revenue	32.2m	21m
Net profits	2.19m	3.9m
Net per share	0.8	0.15
Six months		
Revenue	64.1m	35.4m
Net profits	3.7m	7.5m
Net per share	0.14	0.29

MELVILLE
Diversified Retailer

	1985 \$	1984 \$
Second quarter		
Revenue	1.6bn	1.1bn
Net profits	47.7m	37.4m
Net per share	0.88	0.71
Six months		
Revenue	2.1bn	1.9bn
Net profits	41.9m	42.8m
Net per share	0.77	0.81

INTERNATIONAL COMPANIES and FINANCE

Foreign banks on the slide in Japan

BY CARLA RAPOPORT IN TOKYO

SOME OF the biggest names in international banking suffered substantial profit setbacks or losses on their Japanese operations last year.

According to government statistics published this week, the 76 foreign banks operating in Japan showed a combined drop in pre-tax profits of 30.4 per cent, while net profits slid by 48.1 per cent. After-tax return on assets halved to 0.03 per cent, from 0.06 per cent last year.

Twenty-six of the 76 banks recorded losses, compared to 13 loss-makers last year. Among the loss-makers were Chase Manhattan, with a Y1.6bn ($6.7m) net loss, and National Westminster, which managed to reduce its losses to Y229m from Y432m last year.

Bankers yesterday gave a variety of reasons for the continued poor performance of foreign banks in Japan. Most cite the erosion of traditional businesses, such as foreign currency lending and foreign exchange services, which have been opened up to Japanese banks. Further, the banks point to the cash-rich position of most Japanese companies these days, a fact which makes the lending business increasingly competitive.

"We've been here 40 years and we (the foreign banks) have a lousy penetration of the market. What can I say except that it's downright awful and not geting any better," said Mr Robert Binne, general manager of Chase Manhattan Japan.

Chase's high level of losses, he said, were in large part due to a voluntary retirement programme in which the bank shed 10 per cent of its staff. Still, he said, "the world has changed. It is getting to be that maybe a loan should be seen as a loss leader."

"All the banks in Japan have the same problem, only we are worse off," said Mr Eric Staines, head of Barclays Japan, referring to all the foreign banks. "They raise funds more cheaply than us; we have no customer base. And it would be a brave man who would go into commercial banking here." Barclays' net profit dropped to Y72m from Y180m in the year just ended.

According to statistics from the Bank of Japan, spreads between lending rates and fund-raising costs for foreign banks ranged primarily from 0.375 to 0.5 percentage points in 1983, but they had shrunk to 0.125 to 0.375 percentage points by the latter part of 1984.

The combined loans by the foreign banks also decreased by 1.2 per cent last year to Y6,728bn, in contrast to a 14.7 per cent gain in loans by all Japanese banks.

FOREIGN BANK RESULTS (Ybn)

	*Year to Mar 85	†Year to Mar 84	†Year to Mar 83
Revenues	1,247	1,097	1,264
Pre-tax profit	14.6	21	25
Net profit	5.6	10.9	11.7

*Sources: †Peat Marwick *Nihon Keizai Shimbun*

Bankers yesterday were quick to point out, however, that the figures from the foreign banks include a certain amount of "window-dressing" for a variety of reasons.

In a study based on the figures soon to be published by Peat Marwick, Citibank is shown as the leading foreign bank in terms of total loans and discounts outstanding. Banque Indosuez of France jumped from the fourth spot to number two in the Marwick rankings, while Bank of America, Credit Lyonnaise and Chase Manhattan were three, four and five respectively.

The hotter competition in lending has caused most of the banks to turn their attention to investment management. "Any foreign bank worth its salt is looking at inserting itself into the flow of money *out* of the country," said Mr Jack MacPhail, country corporate treasurer for Chase Manhattan in Japan.

Only last week, American Express decided to put its banking business in Japan up for sale. Under Japanese law, it could either operate its banking business or a securities business operated by its Shearson Lehman merchant banking arm. American Express decided in favour of the bouyant Japanese securities market. Shearson has now applied for a full-branch brokerage licence, which it should get within the next year.

Coal mine losses hit earnings at Denison

By Bernard Simon in Toronto

DENISON MINES, the Canadian coal, uranium and oil and gas producer, suffered a decline in net earnings to C$31.7m (US$23.5m) or 47 cents a share, in the six months to June 30, from C$41.2m or 83 cents a year earlier.

The drop is largely explained by Denison's 50 per cent share in the troubled Quintette coal mine in British Columbia, which posted a C$15.6m loss in the three months from April 1, its first quarter of commercial operations.

The Quintette project, in which a dozen Japanese steel companies and trading houses and Charbonnages de France, the French group, are also shareholders, has been dogged by geological, mechanical and management problems since it began operations in late 1983.

Denison's total revenues rose to C$354.7m in the first half of this year, 5.5 per cent above January-June 1984. Earnings before taking account of the Quintette loss, and other equity-accounted investments, edged up from C$36.7m to C$38.7m.

Quintette met its full contract requirements for metallurgical coal in the first six months of 1985 after a shortfall of 22 per cent in 1984, Denison said. Output, totalling 2.3m tonnes, was more than treble the production in the same period last year, and 26 per cent up on the last six months of 1984.

Denison, which manages the Quintette project, said it planned to bring forward the opening of a third pit at the mine at a cost of C$30m to maintain metallurgical coal production at contracted volumes. Deliveries from the new Shikano pit are due to start in the second half of 1986, subject to approval of the project by Quintette's creditors.

Lake Ontario Cement, in which Denison has a 54 per cent interest, turned a loss of C$1.7m in the first half of 1984 into a C$1.4m profit in the latest period.

British institutions invest $42.6m in Korean trusts

BY STEVEN B. BUTLER IN SEOUL

BRITISH INSTITUTIONAL investors have purchased $42.5m, or 47.2m per cent, of beneficiary certificates issued this year by three new open-ended investment trusts in Korea, according to Korea's Ministry of Finance.

The three trusts, Korea Growth Trust, Seoul International Trust, and Seoul Trust, each issued $30m of shares earlier in the year, bringing the total foreign indirect ownership of Korean equities to some $200m.

Direct ownership of Korean equities by non-resident foreigners is still prohibited, although government plans call for gradual liberalisation of these restrictions. The Korean stock market is attractive to foreign investors because of extremely low price/earnings ratios, averaging about five. Many foreigners expect that the Korean stock market will imitate the tremendous rise in the Japanese stock market since the 1960s.

Other major purchasers of the new funds include Japanese investors, with 12.6 per cent, Hong Kong investors, with 11.4 per cent, other European investors, with 9.3 per cent, and investors from the U.S., with 6.9 per cent.

● PROFITS of 237 companies listed on the Korean Stock Exchange fell sharply in the first half of the year, acording to a report by Ssangyong Investment and Securities, a local brokerage house.

Compared with the first half of 1984 net profits fell by an average 11.3 per cent, on a 3 per cent gain in turnover.

Of the market sectors, only food and beverage, finance, and manufacturing, which includes the rapidly growing automotive industry, showed improved earnings.

Profits of trading companies and paper manufacturers fell by 32.6 and 34.2 per cent respectively, while those in the transport and construction industries fell by 24.2 and 21.5 per cent.

The Korean economy has been sluggish this year, due mainly to a decline in exports.

Sharp drop in profits at World Intl.

WORLD INTERNATIONAL Holdings, the master company of Sir Y. K. Pao, the Hong Kong financier, yesterday reported a steep drop in earnings to HK$229.8m (U.S.$30m) for the year ended March 31, from HK$425.2m, writes Our Financial Staff.

Earnings per share dropped from 37.3 cents to 13.8 cents, while the final dividend is being cut to 4.5 cents from 7.5 cents, for a total of 7 cents against 12 cents.

The company said the results included a HK$321.6m extraordinary loss, and added that the comparisons were made before the reorganisation of the group last August, when most of the Pao group's shipping interests were spun off to a separate, publicly quoted company, Eastern Asia Navigation.

Eastern Asia's first report to its new *public shareholders* declares net profits of HK$339.9m against HK$78m during the previous year—when it was still a wholly-owned subsidiary of World International.

Three rival mutual funds approved for Taiwan

BY BOB KING IN TAIPEI

THE TAIWAN Government has approved the establishment of three new muual funds, a move that could set off intense competition for a limited pool of securities on the local market.

The three funds, all joint ventures between Taiwan companies and foreign financial institutions, join International Investment Trust, which was formed about 1½ years ago to allow foreigners indirect access to Taiwan's stock market. To date, IIT has issued two tranches of beneficiary certificates with a face value of U.S.$81m.

Taiwan's Securities and Exchange Commission has also given IIT clearance to establish the country's first domestic fund, which may start operations by the end of the year.

The three new funds are:

● China Securities Investment Trust, a joint venture between China Development Corporation, Merrill Lynch, and possibly Fidelity International. It intends to issue its first shares by the end of the year.

● National Investment Trust, formed by the National Group (itself in partnership with Matsushita), Prudential-Bache, GT Management, and Bankers Trust. National also plans an initial issuing either late this year or early in 1986.

● Kwang Hua Securities Investment and trust, a joint venture between the Ruentex group, which specialises in Taiwan textiles and construction, the Interallianz Bank of Zurich, and other companies now holding discussions with Kwang Hua. An initial offering of at least $25m is planned by October, and may concentrate on corporate bonds and money market as a way around the intense competition for limited quantities of listed blue-chip shares.

The funds will thus compete directly with IIT, which has already purchased a large percentage of the available shares of medium-size listed companies, according to Mr Benny Hu, IIT's executive vice-president.

Panel rejects Fleet's complaint against United

BY DAVID GOODHART

United Newspapers' plans to take over Fleet Holdings, owners of Express Newspapers, took an unusual turn yesterday when the Take-over Panel rejected Fleet's allegations that United had been acting in concert with Montagu Investment Management.

Mr David Stevens is chairman of both companies.

However, despite having been cleared, United stated yesterday that MIM and itself should be regarded for the purpose of the take-over code as "being in the same position as if they were acting in concert since the announcement on March 25 of United's intention to make an offer for Fleet."

The company also said that if it announces an offer before September 4 it will include a cash alternative of not less than 270.3p—the highest price paid by United or clients of MIM in the last 12 months.

If the two companies had been found to be acting in concert United would probably have been forced to make such a cash alternative offer.

United now holds 16.9m Fleet shares (20.8 per cent) and MIM, on behalf of investment clients, holds 2.9m (3.49 per cent). Following United's announcement of a bid intention in March an automatic referral was made to the Monopolies and Mergers Commission.

The Commission's report—which is expected to clear the bid—will be sent to Industry Secretary Mr Norman Tebbit next week. He will then announce his decision a month later. United is thus in fact not likely to make a bid until after September 4.

The controversy over acting in concert—which underlines how bitterly Fleet will resist the eventual bid — centres on United's purchase of a 15.76 per cent stake in Fleet from Mr Robert Maxwell's Pergamon Press in January.

Under rule 11 of the take-over code if a company — or a company acting in concert with it—acquires 15 per cent or more of the voting rights for cash it must make a cash alternative offer.

United did not make such an offer when along with MIM it acquired the 15.76 per cent Pergamon stake, although in March it did say that the then Fleet share price of 285p fully valued the company.

In April Kleinwort Benson acting for Fleet wrote to the Take-over Panel complaining, in effect, the United was able to escape making a cash offer only because MIM was not regarded as acting in concert.

It challenged that assumption partly on the grounds of the obviously close relationship between United Newspapers and the Samuel Montagu Group (of which MIM is a part). It is also understood that Kleinwort drew the Panel's attention to the fact that the United/Samuel Montagu group purchases were made in four different accounts: Realmfair, Glyn Mills Nominees, Hartson Nominees, and Samuel Montagu and Company Nominees.

One key part of Kleinwort's complaint appears, however, to have arisen from an error in disclosure. Fleet was informed by Samuel Montagu that all the shares held in the Glyn Mills account were beneficially owned by United.

Lord Matthews, chairman of Fleet Holdings, and Mr David Stevens, head of United Newspapers

Kleinwort latched on to that as evidence of an "off-market" sale between United and Samuel Montagu. The disclosure was later corrected.

United, which has grown very rapidly since Mr Stevens took over in 1981, indicated yesterday that it was aware of the possibility of a complaint from Fleet and had thus acted with the greatest of care and cleared every move before it was taken with the Take-over Panel.

If United was to make an offer at 270p—which is unlikely—it would value Fleet at only £228m. In May stockbrokers Grievson Grant valued Fleet at between £285m "on a going concern basis" and £361.2m on a "break up basis."

Fleet's shares yesterday rose 1p to 313p. United remained on 263p.

Bid now unacceptable to York Trailer

By Andrew Arends

York Trailer Holdings, the trailer and vehicle component maker, last night reversed its position and said that an agreed £4.96m offer for it from United Parcels, the express parcel carrier, was inadequate in light of York's latest interim figures.

However, United Parcels already has recieved irrevocable undertakings to accept its offer of 45p per York share from shareholders representing 60 per cent of York equity, which would give it formal control.

Mr Martyn Smith, financial directors at United Parcels, said yesterday that the company had no intention of raising the price, and he said that the formal offer document would be sent to York shareholders as soon as possible.

Mr Smith said that when the agreed offer was first announced, in late June, York had then regarded the price as fair and reasonable.

Yesterday York revealed its interim results for the six months to June 30. On turnover of £13.65m it came in with pre-tax profits of £592,000, compared with turnover of £11.77m and profits of £258,000 in the corresponding period.

Phillips and Drew, York's stockbroker, said that in view of these figures, the United Parcels offer was not fair and reasonable and Mr Samuel Beckett, a York trailer director, called on the remaining 40 per cent of shareholders who have not accepted the offer to take no further action.

Three shareholders, Mr J. F. Davies, Mr J. D. Davies and their father Mr Fred Davies, York's chairman, have accepted the offer already and are refraining from commenting on yesterday's announcement.

York said yesterday that it will be sending a letter to shareholders as soon as possible. Its shares closed 2p higher yesterday at 43p.

Habitat-Mothercare has been buying shares in Burton

BY MARTIN DICKSON

Habitat-Mothercare, which is backing Burton Group's increased £550m takeover bid for Debenhams, disclosed yesterday that it had taken the highly unusual step of buying shares in Burton.

It bought 500,000 shares—0.002 per cent of Burton's equity—on Wednesday, the day Burton launched its revised offer for Debenhams and when it was attempting to tie up the underwriting for the new terms. With Burton's share price falling 27p on the day, to 448p, the underwriting did not proceed entirely smoothly.

Meanwhile, House of Fraser, Debenhams High Street rival, disclosed yesterday that it had further increased its stake in the stores group to 10.98 per cent, through share purchases up to Wednesday.

Mr Ian Peacock, Habitat's finance director, said the company bought the Burton shares because it regarded the company as an attractive investment "and at this particular juncture we wished to provide them with a taken of active support in the bid for Debenhams."

However, Mr David Hillyard, Debenham's finance director, described the move as a "valiant attempt to support a rather weak share."

If the Burton bid succeeds, Habitat would have a contract to redesign Debenhams' stores, have the use of 20 per cent of the trading space for its own merchandise and an option to acquire up to one-fifth of Debenhams at Burton's original purchase price.

Share purchases by an interested party like Habitat are permitted under the City takeover code, although the buyer has to wait a day after disclosing the purchase before entering the market again.

However, the Takeover Panel earlier this year scrapped a provision—rule 37—which prevented people with a "significant commercial interest" in the outcome of a bid dealing in the shares of either the predator or target companies. The rule was eliminated because of the Panel's difficulty in defining a "significant interest," though this was usually interpreted as being a substantial trading relationship with one party or another.

Habitat, which was last night showinf a small loss on its £2.3m investment, said it was keeping the possibility of further purchases under review and believed the holding would show a good longer-term profit.

Burton's share price closed last night at 446p, down 2p on the day, which values its paper and cash offer at 327.6p for each Debenhams share. There is a 327p cash alternative.

Debenhams shares closed at 314p, down 8p on the day, while Habitat were up 2p at 388p.

Yeoman Investment

YEOMAN INVESTMENT TRUST reports an increase in net asset value per share from 267.5p to 314.8p in the year to June 30 1985. The interim dividend is raised from 3p to 3.5p net—last year a total of 8.6p was paid. Gross revenue for six months to end June was up from £766,102 to £875,416, with franked income accounting for £664,769 (£600,606), unfranked income £128,753 (£122,067) and interest receivable, £81,894 (£43,429). After administration charges of £80,962 (£76,645), interest charges of £16,500 (£19,833) and tax up from £197,390 to £246,120, net earnings emerged at £531,534 compared with 472,234.

LADBROKE INDEX
933-937 (−4)
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Bell's shareholders slow to accept Guinness offer

BY LISA WOOD

THE BATTLE for ownership of Arthur Bell, the Scotch whisky distiller, hotted up yesterday with Guinness announcing that by the first closing date of its bid, acceptances had been received from the holders of 5.04 per cent of Bell's shares.

Guinness, which holds no Bell shares of its own, said the level of acceptances was "most encouraging," while Bell called it "exceedingly low."

Mr Ernest Saunders, chief executive of Guinness, said: "This level of acceptances on the first closing date of a contested offer is most encouraging, particularly as clearance from a reference to the Monopolies and Mergers Commission has not yet been given."

It is understood that Mr Norman Tebbit, Minister for Trade and Industry, will make an announcement shortly on whether or not the bid will be referred to the Monopolies and Mergers Commission. Papers were last night expected to be sent to the Minister from the Office of Fair Trading, giving its recommendation.

Bell also announced yesterday it is strengthening its public relations expertise to help fight the bid from Guinness. Shandwick Consultants will work in conjunction with the group's existing PR consultants, the Wheatsheaf Partnership.

Guinness is offering nine of its shares for every 10 of Bell's with a cash alternative of 225p. The Guinness share price last night closed at 250p valuing Bell at 235p, down 3p.

Offers and the cash alternative have been extended until 3.00 pm next Thursday. In addition to the acceptance of holders of 6.7m Bell's ordinary shares yesterday, there were 57,000 preference shares (14.47 per cent).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Automated Security int.	0.55	Nov. 15.	0.48	—	1.24
Berisfords	3.73	—	4	5.28	6.61¶
BET	11.25†	Oct. 4	9.75	14	12
British Bloodstock	5.5‡	—	—	8	—
BTS int.	1.5‡	Oct. 1	—	—	—
Crown House	4.25	Oct. 1	3.9	7	6.4
Davy Corporation	2.59	—	2.59	3.69	3.69
Dewhurst & Partner int.	0.35	—	0.25	—	0.75
Distillers	10.5	Oct. 11	9.15	15	13.65
General Consd. int.	3.5	Aug. 12	2.7	—	9.2
Gestetner int.	0.5	Sept. 11	0.5	—	1.32
Great Universal	11.75	Dec. 20	10.5	18	16
Habit Precision int.	0.6	Aug. 30	0.5	—	1.5
Haslemere	7.3	Oct. 3	6.61	9.6	8.7
Independent Inv.	0.5	Stp. 26	0.5	0.5	0.5
Lonrho 2nd int.	4	Oct. 1	3.5	—	11
G. F. Lovell	3	—	3‖	3	3
Y. J. Lovell int.	1.55	Oct. 1	1.4	—	6
Robertson Research	3	Sept. 6	—	4.2	—
Syltone	6.4	Oct. 1	5.4	10	9
Tops Estates	0.63‡	—	—	0.63	—
Victoria Carpet	2	Sept. 27	0.75	2	0.75
Yeoman Invst. Tst. int.	3.5	Sept. 9	3	—	8.6

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ For 71 weeks. ‖ For 17 months.

COMPANY NEWS IN BRIEF

HABIT Precision Engineering, maker of industrial diamond tools, pushed up turnover from £1.5m to £3.89m and profit from £105,000 to £305,000 in half year ended March 31, 1985. Interim dividend raised to 0.6p (5.5p) net and forecast is for a lift in the final (1p last time).

The diamond tooling subsidiaries performed particularly well, says chairman Mr James Mayne. Trading is continuing satisfactorily, and substantial resources are being devoted to development of new aluminium disc product for computed industry, for which prospects are said to be very exciting. Mr David Willetts, a partner of the company's auditors Neville Russell, is to become a non-executive director. Neville Russell will resign as auditors.

G. F. LOVELL, confectionery maker, reports turnover £3.14m and pre-tax profit £18,000 for year ended March 31, 1985, compared with £4.49m and loss £38,000 respectively in previous 17 months. Dividend is held at 3p. Hot weather last July and August disrupted production and turnover, and loss during that period was not completely recovered.

STODDARD HOLDINGS, carpet manufacturer, incurred a loss before tax of £559,000 in the year to March 31, 1985, compared with previous profits of £76,000. Turnover was static at £33.37m (£33.17m). Financial charges were up from £467,000 to £698,000. Extraordinary debits rose to £290,000 (£28,000). Loss per 10p share totalled 8.4p (3.6p). In first three months of current year sales and operating profits were well ahead of last year.

DEWHURST & Partner, maker of electrical control equipment, raised pre-tax profits to £166,405 (£67,358) in the half year to March 31, 1985. Turnover totalled £2.06m (£1.83m). Earnings amounted to 1.59p (0.66p) and the interim dividend is lifted to 0.35p (0.25p) per 10p share.

SPAFAX TELEVISION Holdings, a USM stock engaged in videotape programme production, pushed pre-tax profits up from £190,000 to £227,000 over the half-year to end-March 1985. The result was better than expected due to cost control and higher than anticipated business intake. Turnover amounted to £935,000 (£770,000). There is no interim dividend but the company expects to pay a final of 2p.

GOLDSMITHS GROUP has acquired Dryden Insurance Services, which carries on business of insurance consultants at Sedgefield, County Durham, and Thornaby, North Yorkshire. Consideration amounts to about £70,500 in cash and shares.

General Consolidated Investment Trust achieved higher net earnings of £915,000, against £788,000, over the six months to June 30, 1985. Net asset value per share at the end of the period was 300.3p, compared with 245.7p a year previous. The interim dividend is 3.5p (2.7p) with earnings per share at 4.9p (4.22p).

GLEN INTERNATIONAL, the Edinburgh-based licensed dealer in Securities and international securities trading house has acquired 272,500 ordinary shares of Pyke Holdings, and represents 5.91 per cent.

WHITWORTH'S FOOD GROUP, the Chatteris-based fruit and vegetable distribution company, has acquired Peter C. Cocks (Potatoes) of Scunthorpe and Darlington, prepackers, distributors and merchants of potatoes.

Exchange rate boosts Distillers

Distillers has expanded its pre-tax profits by £44.6m to £236.2m in the year ended March 31 1985, a rise of 23.3 per cent. Some £22m of the increase was attributable to the strength of the dollar.

Shareholders receive a final dividend of 10.5p giving them a net total of 15p for the year, against 13.65p.

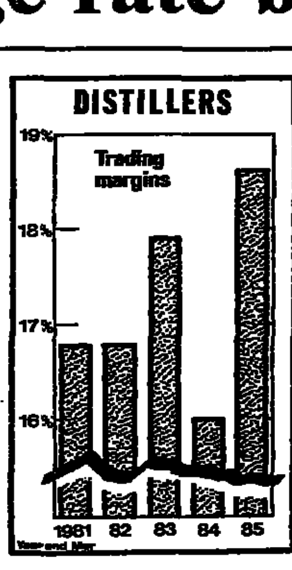
Group exports of Scotch whisky were marginally below the volume shipped in the previous year, as expected. The absence of growth was largely due to *continuing economic problems* in a number of countries but is also evidence of the marketing challenge posed by recent changes in social patterns and lifestyles, the directors report.

Gin exports showed a satisfactory increase in volume with Tanqueray making a further advance in the important U.S. market. In terms of value the group's exports reached a record £473m and trading profit from overseas operations rose from £12m to £44.9m.

Apart from the greater average exchange value of the dollar, the group had the benefit of the new U.S. subsidiary Somerset Importers. Its trading profit was £32m and its net contribution around £12m after interest charges on the U.S. dollars borrowed to finance its acquisition.

The year saw a number of major rationalisation measures taken to improve productivity and reduce costs, although not all of these had become fully effective at the year-end. Below-the-line rationalisation, redundancy and closure costs came to £13.5m this time, compared with £12m of which half was attribut*able to the related company.*

In the home market, where the new marketing organisation had not yet reached its full operational potential, sales of Scotch whisky and gin were below 1984.



Mr John Connell, chairman of Distillers

In 1984-85 turnover rose from £1.13bn to £1.27bn including excise duty to produce a trading profit increased from £181.6m to £23.2m. Added to this was a turnround to a profit of £4.2m in re*lated company (loss £1.1m)*, an increase to £9m (£7.2m) in investment income and to £3.4m (£2m) on surplus on realisation of investments, but there was net charge for interest of £13.6m (credit £1.9m) — this year payable £31.2m less received £17.6m.

A *split of* the turnover and trading profit shows Scotch whisky £579m (£565.4m) and £158.6m (£146.3m), white spirits £190.7m (£192m) and £23.5m (£16.4m), overseas operations £416m (£217.5m) and £44.9m (£12m), others £188.7m (£176.5m) and £6.2m (£6.9m).

A geographical analysis of the turnover reveals UK £265.5m (£260.2m), Continental Europe £142.9m (£142.1m). North America £309.8m (£194.6m). Central and South America £64m *(£65m), Africa £49m (£45.7m)*, Asia and Australasia £101m (£99.2m). Excise duty in the UK was £201.8m (£218.3m) and overseas £140.3m (£109m).

The effective tax charge against profits this year comes to almost 44 per cent, compared with 33 per cent last time. The increased burden is the direct result of the changes in the UK tax system announced in 1984 and subsequently implemented without any element of transitional or continuing relief to the Scotch whisky industry in respect of its maturing stocks, the directors state.

Tax absorbs £102.9m (£63.3m) leaving the net profit at £133.3m (£128.3m) for earnings of £36.71p per share (35.35p). Extraordi*nary charges total £7.5m (£9.5m)* and cost of the dividend is £54.4m (£49.5m). Profit retained is much improved to £71.4m (£9m), as there is no transfer to deferred tax this year.

See Lex

GUS up by nearly 12% to £254m

A NEAR 12 per cent increase *in full year taxable profits* from £226.55m to £253.5m was achieved by Great Universal Stores, the mail order, finance, property and travel group.

The dividend is being raised to 18p, against 16p, through a higher final payment of 11.75p. Earnings per share advanced from 54.14p to 61.52p.

Total turnover for the year to March 31, 1985, climbed to £2.18bn, against £2.03bn, excluding VAT. Attributable profits emerged at £159.14m (£136.96m) after all charges but included extraordinary credits of £5.1m (£1.41m).

Mr Harold Bowman, assistant managing director, said later "the UK catalogue division made a good increase in profit overseas, the main catalogue subsidiaries, Holland and Austria, improved their contribution in terms of their own currencies.

"Burberry, and Scotch House had an excellent year in both retail and export divisions, and Lennards footwear division made a good improvement to profit."

He said the furniture and household stores division made a slightly lower contri- and Australia achieved improved results. South Africa, however, was adversely affected by the economic problems there and the depreciation of the rand.

the depreciation of the rand.

General Guarantee/Whiteway Laidlaw made increased profits from its financial service and C.C.N. increased profits and is continuing to develop information services.

● comment

Even though the Gus steamroller put in the requisite 12 per cent increase in pre-tax profits yesterday, the market was not impressed. The 'A' shares fell 15p to 783p, mainly because the company seemed not to have kept up the sales and profits momentum of the first half. Had shareholders known that this was mainly a problem of currency translation from a falling rand, they might have been less bearish —but then it is not GUS's style to give out more than the barest minimum of information with its results. UK mail order, Burberry, Scotch House, and the finance divisions were apparently the star performers, while profits from furniture actually fell, *partly because of the miners'* strike. This year will be helped by the tourist trade and the buoyancy in mail order and pre-tax profits should be around £285-290m. On that basis, GUS's shares are on a prospective multiple of a little over 10—a hefty discount to its High Street rivals. But then Hepworth cap make a great success out of its Next chain while GUS has had to close down its Visuals shops. GUS may be a good defensive stock in a bear market, but it is not a patch on its go-ahead competitors in a retail boom like this one.

BET surges to £103.5m and aims for real growth

THE 1984-85 year for British Electric Traction was one of hectic restructuring but one that saw profits surge by £17.81m to £103.5m at the pre-tax level.

All divisions, apart from electronics and leisure, showed improved performances — particularly publishing and construction, the latter having now re-established itself as a major and important contributor to the group's overall profits.

The main feature of the year, to March 31, was BET's continued restructuring which Mr Hugh Dundas, the chairman, says involved focusing more clearly on a limited number of activities and getting out of businesses which were not directly applicable to those activities or were achieving less-than-satisfactory profit performances.

The group raised a further £163m from divestments, notably the sale *in June, 1984* of Rediffusion's TV rental operations for £120m and a 51 per cent share in Wembley Stadium.

The directors continued their aggressive acquisition programme to increase market shares in its chosen activities.

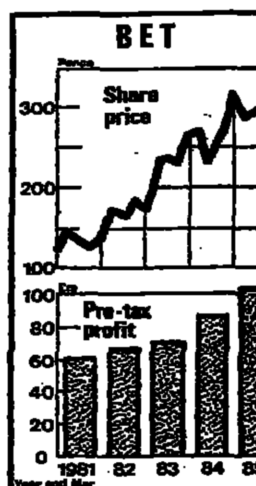
During year £105m was spent on acquisitions and capital expenditure continued to strengthen the core business.

The biggest acquisition, at £33.5m, was Anglian Windows in *September*, but the total including £40m on five more U.S. publishing companies and £13m on another U.S. road tanker operation.

Initial was finally acquired in April for £173.2m. Mr Dundas says this was the last major change BET wanted to make to its original core.

Turnover of the group, an industrial holding concern, pushed ahead from £1.27bn to £1.42bn in 1984-85, excluding investment income. Operating profits rose by £15.45m to £97.73m before taking in associates' contributions of£20.01m (£20.36m) and investment income of £10m (£7.36m). Interest charges were little changed at £24.24m (£24.31m).

The pre-tax results compare with the directors' forecast of not less than £100m made at the time of the offer for Initial. The results were also in the middle of market estimates and the group's shares closed yesterday 5p higher at 400p.



As promised shareholders are to receive a final dividend of 11.25p (9.75p), which lifts their total payment by 2p to 14p net per 25p share.

The directors point out that the figures are not directly comparable as some subsidiaries have adjusted their financial years to be co-terminous with BET's so that in some cases, 15 months results were included.

They say that on an annualised basis, pre-tax profits showed a 13 per cent increase from £85.7m to £97.1m.

Tax accounted for £35.22m (£23.96m) and minorities for £5.22m (£5.28m). After extraordinary provisions of £9.11m (£38.04m, including deferred tax of £37.61m), profits for the financial year emerged at £53.96m, compared with a previous £18.41m.

Earnings per share amounted to 30.7p (28.9p), pre-extraordinary items.

The downturn in electronics and leisure reflected, primarily, reduced profits at Thames Television as a result of industrial action, and the anticipated downturn in flight simulator deliveries.

Mr Dundas, who is stepping down as chief executive in September but remaining chairman, says the results showed a better geographical balance of profits, with operating returns in north America growing to 20.5 per cent (10.8 per cent) of the total. They now match BET's *African earnings.*

He sums up: "The group's job now is to take full advantage of the much stronger position attained over the past two and a half years to achieve real growth in earnings per share."

A *divisional* breakdown of group pre-tax profits shows transport £28.9m for 15 months (£25.6m for year), electronics and leisure £21.4m (£23.8m), industrial services £20.3m (£17.6m), *construction* £19.4m (£14.5m) and publishing £12.9m (£6.3m) — last year there was a £2.6m contribution from North Sea oil. Other income and costs added £0.6m (took £4.4m).

Group subsidiary Boulton & Paul raised its turnover from £78.4m to £86.87m and its profits before tax from £9.35m to £10.72m over the 12 months to end-March.

● comment

Having spent £390m on acquisitions in the *last* two years and received nearly £250m from disposals, BET thinks that it has finally got its house in order. The company is now split into five divisions which, though disparate, are still rather easier *to follow* than the old mish-mash. The strategy has been to concentrate on the service sector, preferably in fields where BET is the market leader, but it could run up against the Monopolies Commission. This year, *the company's task is* to increase earnings per share. There is room for growth in laundry with a full-year contribution from Initial and cost savings from the Initial/Advance merger. There will also be full-year contributions from publishing acquisitions and some growth in the core businesses. But earnings will have been diluted by the issue of shares to buy Initial — and if the present BET management cannot enhance earnings per share, there must be other managements around willing to set their hands to it. At 300p, up 5p yesterday, the shares are on a modest prospective p/e of under 10 and are well supported by a prospective yield of over 7 per cent.

Syltone jumps to £1.36m

Syltone, an engineering holding company, has lifted pre-tax profits from £1m to £1.36m for the year to end-March 1985.

Turnover rose from £18.22m to £19.16m, and the overall pre-tax return on sales increased from 5.49 *per cent to 7.08 per cent*, due to the return of U.S. turnover to profitable levels and the 1983-84 withdrawal from wholesale electrical distribution.

A final dividend of 6.4p (5.4p) is recommended, raising the *total by 1p to 10p.*

For 1984-85 sales from continuing activities rose from £15m to £19.1m, with £1.6m of the increase from home sales.

A final dividend of 6.4p (5.4p) is recommended, raising the total *by 1p to 10p.*

Mr John Clegg, the chairman, says that a good start has been made to the current year, and more growth in profitability and sales is in prospect.

Capital expenditure amounted to £901,000 (£930,000) over the year.

Bardon Hill to buy Vectis

BY ANDREW ARENDS

Vectis Stone, the construction, distribution and toiletries group, is to be purchased by Bardon Hill, the unquoted group which is engaged in quarrying, plant and crane hire and civil engineering, for £8.3m in an agreed takeover.

Bardon, whose shares are traded in the market made by Granville and Co, has offered 60p in cash for each Vectis share, or an alternative offer of one share and £2.63 in floating rate notes for each seven Vectis shares.

Vectis shareholders will be able to apply for a larger number of Bardon shares of FRN's under the alternative offer, which values Bardon shares at 157p, although the number of its shares available will be limited to 2m. Bardon Hill's bankers will be providing the additional funds needed to finance the deal.

Mr Peter Tom, chairman and managing director said yesterday that the two groups had a number of related interests. He said that the Vectis core business, its gravel quarry on the Isle of Wight which produces concrete products, would fit in with Bardon's own quarrying activities. Moreover, he said, both groups were involved in tyre distribution and hire operations.

In the year ended December 1984 Vectis turned in pre-tax profits of £862,000 on turnover of £30.3m, and Bardon said it expects a roughly similar contribution from Vectis this year.

Bardon, in the year ended March 1985 came in with pre-tax profits of £4.2m on turnover of £33.2m, compared with pre-tax profits of £3.71m on turnover of £28.98m the previous year.

According to Bardon, Mr Alford Collins, chairman of Vectis, will be joining the board.

Over the past 18 months Bardon has built up a 6.57 per cent stake in Vectis. In addition, it was announced yesterday that Vectis directors, and certain shareholders, representing 39 per cent of shares, had so far accepted the offer.

Last night Vectis shares closed up 2p at 57p.

Webber

For the first six months to March 31, 1985 Webber Electro Components raised its profits before tax from £221,000 to £270,000.

The directors say the small unit factory leased in January was in full operation by the end of the half year and as a result the company recovered from the slow start in the first quarter.

They add that current trading conditions indicate that satisfactory progress should be achieved in the second half of the year.

Meanwhile, the interim dividend is being stepped up from 1p to 1.5p net per 12½p share — a final of 1p was paid for the 1983-84 year when pre-tax profits amounted to £473,824.

Abbey Life business on target

Abbey Life Group, which last month made its debut on the stock market, yesterday confirmed its prospectus statement of unchanged new business sales in the first half of this year.

Like many other *linked-life* companies, Abbey considers the amount of new initial commission paid on sales to be the most meaningful statistic on progress. These commission payments for the first half of 1985 at £24.1m *were exactly the same* as payments in the corresponding period of 1984.

But underlying this static new business figure lies a very mixed pattern of business over the period with higher pension sales, thanks to the pre-Budget boom on tax fears, offset by lower sales of life contracts, a pattern that was predicted in the flotation prospectus.

New pension premiums, both regular and single, were up 30 per cent from £27.3m to £35.4m. Sales of self-employed pension contracts were particularly buoyant, while growth in executive pensions was strong. *The company,* as yet, *is* still small in the group pensions field.

In contrast, new annual premiums on life business were 20 per cent lower at £16.2m against £20.3m in the first half of 1984. Mr Michael Hepher, chairman and managing director of Abbey Life, points out that the high level of life business last year reflected the sales boom prior to the ending of LAPR in last year's Budget.

Single premium sales of life and annuities—business that was not affected by either last year's Budget or rumours ahead of this year's—were down by a third from £64.8m to £43.5m. However, most of the decline came in reduced sales of annuities and guaranteed income bonds, reflecting interest rate levels and competition from other savings forms. Sales of linked life bonds held up well over the period, though the company does not provide any specific figures.

Total premium income in the half year amounted to £184.1m—slightly lower than premium income in the first half of last year which amounted to £186.9m. Total life funds at the end of the half year on June 25 1985 amounted to £1.84bn compared with £1.8bn at the end of 1984 and £1.63bn at thend of June last year.

The share price fall of 1p to 229p on the results reflects the absence of any departure from the prospectus information, giving a gross yield of 4.1 per cent on the forecast dividend.

Davy recovery upheld despite poor markets

A FURTHER recovery in profits was made by the Davy Corporation in the 1984-85 year and with a £12.1m credit arising from the restructuring of the U.S. pension plan the group was able to make a transfer to reserves.

The pre-tax result to March 31, climbed from £7.53m to £13.05m and after all charges there was a retained profit of £6.95m compared with a deficit of £7.99m. There were extraordinary credits of £546,000, against charges of £10.5m, with the U.S. pension purchase offsetting costs of £1.55m incurred on closure of some engineering offices.

The dividend is being maintained at 3.685p through an unchanged final of 2.585p. Earnings rose to 10.5p (6.3p) per share.

Mr Peter Benson, the chairman

Mr Peter Benson, the chairman, says the improvement was achieved in spite of the low level of market demand in most of the industries which Davy serves. "It results from the action over the past three years in reducing capacity in line with the lower level of world demand," he says.

Engineering and construction companies increased profits by £4.5m mainly due to the reduction of German losses following transfer of the Cologne office to Frankfurt and improved profits from the Zimmer company. However, it was necessary to make additional provisions on the USSR Alpha Olefins contract.

The performance of UK companies was satisfactory with a particularly good result from Stockton. Poole also improved, but profits were lower from Sheffield and London.

Market difficulties continued in the U.S. and profits were lower in spite of another outstanding performance from the Chicago office which services the food and pharmaceutical market. Substantial losses were, however, made by the Lakeland, Cleveland and Houston offices, says Mr Benson. Australian activity declined and profits were lower.

Manufacturing and service companies contributed slightly less. In mechanical handling, Herbert Morris South Africa managed to break-even

The chairman says foundries and forges had a good year with increased profits from the roll making companies. However, some of the service companies, particularly Lloyds British Testing, were adversely affected by the miners' strike, although Senelco increased profits.

On prospects, the chairman says "our scale of operations is now in line with demand, our technology base continues to improve and, although the market is far buoyant, I am hopeful that the recovery in profits will continue."

● comment

If there was a surprise to be found in yesterday's preliminary figures from Davy it was not in the p and l account, for all the comings and goings of U.S. extra-ordinary items, but in the balance sheet. Davy is sitting on net cash of £53m, equal to 56p per share, which is really quite an achievement given the way the workloads, and hence forward payments, have been shrinking. That may have been the reason for the strength of the shares yesterday. Davy's profits may look lean but it is faring well enough against its competitors — and it has cash balances equal to more than half its market capitalisation. It might be a tempting proposition for Trafalgar — a thought that has been with the market for months. On the trading front the results are as anticipated with U.S. orders shrinking and the UK plodding along. Only Germany showed a spark of growth and last year's much reduced loss could be turned into a profit of perhaps £5m this year. The bad news is that much of that could be offset by even worse figures from the U.S., perhaps even a loss. At 101p, where the p/e is 10, the price can just about be justified on trading grounds alone, ignoring bid thoughts.

UK restructuring pulls Gestetner into loss

Gestetner Holdings has continued to recover but the costs of restructuring in the UK have had a heavy impact on the results for the six months to May 4, 1985, resulting in an attributable loss.

While taxable profits more than doubled from £2.9m to £6.23m, Gestetner set aside £10.15m below the line. This was for the closure of a large part of its Tottenham, London, site and the subsequent transfer of duplicator manufacture to Wellingborough and stencil operations to Stirling.

The directors say that expenditure in the first half only amounted to £0.4m but explain that the large write-offs reflect their forecast of the full cost.

Despite this the interim dividend is being held at 0.5p. Basic earnings per share, pre-extraordinaries, rose from 0.14p to 4.93p.

Transfer of the Activities of the *Compugraphic in-plant business* in the UK from the Gestetner office automation division of Gestetner to Compugraphic UK was effective from June 1.

The surplus over book amounts is estimated at £0.6m and is also shown in extraordinaries. This will release cash in the second half in excess of £1.5m.

There is a further improvement in net borrowings which show a fall of £12.4m arising substantially from the efforts to reduce working capital, the directors state.

This, they say, means that the reduced net borrowings of £33.2m are equivalent to 31 per cent of shareholders funds compared to 37.5 per cent at the end of 1984.

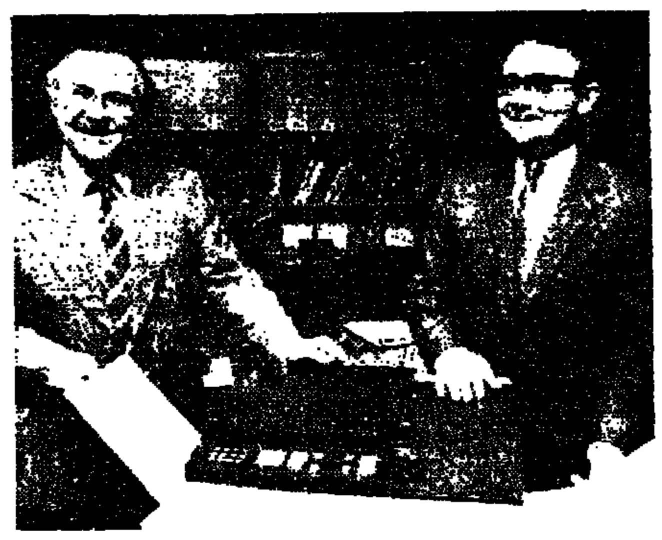
However, it should be noted, they say, that the second half will bear a substantial part of extrordinary expenditure in France and Tottenham.

In France, losses increased *pending negotiation of reorganisation plans*. However, Gestetner has now received French Government approval for the implementation of substantial redundancies and branch closures and these are being actioned.

The directors say it is too early to make a firm forecast with regard to second half year results but add an international company such as Gestetner cannot be entirely immune from the effects of a strong pound.

● comment

It is a measure of how slowly Gestetner Holdings moves that it took more than two years after plunging into loss in 1982 before the company bit the bullet and closed most of the Tottenham factory. With that decision out of the way, the group's continuing recovery looks that much more soundly based since costs in most parts of the sprawling empire are now closer in line *with revenues. There is still* work to be done in France, but government approval has been given for the loss of 400 jobs in the 1,800 workforce. Barring accidents, which have been all too frequent at Gestetner in the past, the group is on target for perhaps £11.5m pre-tax this year. The shares are well up with events having climbed from a low of 50p last year they now trade on a multiple of about 15 at 112p (64 per cent tax charge). This rating already discounts further recovery next year so little more can be expected until Gestetner maps out its longer term plans more clearly. The search for the elusive new product to succeed the worthy stencil duplicator is still on and the word is that a distribution deal with a manufacturer of office equipment of some kind might be struck later this year. But it remains to be seen how the Gestetner sales force, reared on selling a pre-eminent patent-*protected product, will cope.*



Mr Jonathan Gestetner (left), joint chairman and Mr David Gestetner, Group managing director and joint chairman. . . . Costs of £10.2m set aside for closure of a large part of the Tottenham site.

BANK RETURN

BANKING DEPARTMENT	Wednesday July 17 1985	Increase (+) or decrease (—) for week
LIABILITIES	£	£
Capital	14,553,000	—
Public Deposits	6,264,052,445	+ 1,333,579,165
Bankers Deposits	842,049,526	— 49,490,534
Reserve and other Accounts	1,400,082,474	— 58 622.397
	8,520,737,445	+ 1,225,466,234
ASSETS		
Government Securities	667,197,250	+ 238,581,972
Advance & other Accounts	1'154,170,893	+ 594,166,542
Premises Equipment & other Secs	6,695,396,213	+ 397,835,113
Notes	3,716,024	— 5,105,069
Coin	257,055	— 12,324
	8'520,737,445	+ 1,225,466,234

ISSUE DEPARTMENT		
LIABILITIES	£	£
Notes in circulation	12,346,283,976	+ 85,105,069
Notes in Banking Department	3,716,024	— 5,105,069
	12,350,000,000	+ 80,000,000
ASSETS		
Government Dept	11,015,100	—
Other Government Securities	2,825,699,255	+ 105,898,845
Other Securities	9,513,285,645	— 25,898,845
	12,350,000,000	+ 80,000,000

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Orange Free State

Reports of the Directors for the quarter ended June 30 1985

WESTERN HOLDINGS

Western Holdings Limited
Registration No. 05 09266 06
ISSUED CAPITAL: 14 334 376 shares of 50 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	9 months ended June 1985
OPERATING RESULTS			
Gold			
Area mined—m² 000	375	374	1 129
Tons milled—000	2 204	2 235	6 643
Yield—g/t	4.36	4.25	4.36
Production—kg	9 599	9 493	28 962
Cost—R/m² mined	335.49	322.05	320 84
—R/ton milled	57.54	53.89	54.53
—R/kg produced	13 211	12 680	12 507
JMS			
(See summary)			
Slimes delivered			
Tons 000	1 389	1 302	3 999
Head grade			
uranium—kg/t	0.09	0 09	0.09
sulphur—per cent	0.89	0.85	0.87
gold—g/t	0.49	0.46	0.46
PRICE RECEIVED ON SALES			
Gold—R/kg	20 167	19 861	19 814
—$/oz	321	299	316
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	194 427	190 028	578 363
—costs	126 817	120 448	362 232
—profit	67 610	69 580	216 131
JMS profit	3 663	3 815	8 735
Net sundry income	10 045	8 568	26 841
Profit before taxation and State's share of profit	81 318	81 963	251 707
Provision for taxation and State's share of profit	32 812	34 519	108 865
Profit after taxation and State's share of profit	48 506	47 444	142 842
Add:			
Transfer from general reserve			4 654
Deduct:			
Appropriation for the first six months —capital expenditure			37 756
Dividend—interim			59 488
Retained profit for the nine months			50 252
Capital expenditure —total	21 656	23 321	65 261
—Erfdeel Division	16 729	14 967	42 699
Loan from Eastern Gold Holdings Limited—balance	85 370	81 338	85 370
SHAFT SINKING	metres	metres	metres
HOLDINGS DIVISION			
No. 18 sub-vertical shaft			
Advance	8	—	8
Depth to date	8	—	8
ERFDEEL DIVISION			
No. 1 main shaft			
Advance	—	—	75
Depth to date (final depth)	2 253	2 253	2 253
Station cutting	—	—	96
No. 1 Ventilation shaft			
Advance	—	—	29
Depth to date (final depth)	2 207	2 207	2 207
Station cutting	—	—	30
No. 2 main shaft			
Advance	57	—	57
Depth to date	109	52	109
No. 2 ventilation shaft			
Advance (pre-sink)	—	—	—
Depth to date	43	43	43

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
HOLDINGS DIVISION							
Basal reef							
Quarter ended June 1985	10 573	1 188	33.4	31.11	1 039	0.38	12.80
Quarter ended March 1985	10 160	1 076	40.4	24 48	989	0.34	13.92
Nine months ended June 1985	30 785	3 312	32.5	31.57	1 026	0.39	12.71
Leader reef							
Quarter ended June 1985	3 307	1 332	115.2	3.96	456	0.19	22.22
Quarter ended March 1985	3 097	1 522	98.0	4.82	472	0.26	25.13
Nine months ended June 1985	9 875	4 334	108.1	4.00	432	0.20	21.39
'A' reef							
Quarter ended June 1985	457	200	41.1	8.93	367	0.32	12.98
Quarter ended March 1985	310	140	45.4	7.36	334	0.25	11.27
Nine months ended June 1985	914	372	40.5	9.09	368	0.31	12.58

Middle reef
During the quarter ended June 1985 no metres were advanced. (Quarter ended March 1985 and nine months ended June 1985: 2 metres.) As all the development was off reef, there were no sampling results.

The development reported includes development by Western Holdings in the area under tribute from Free State Geduld Mines Limited.

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
SAAIPLAAS DIVISION							
Basal reef							
Quarter ended June 1985	6 309	862	84.5	7.41	626	0.19	15.88
Quarter ended March 1985	6 675	916	78.8	11.57	912	0.25	19.41
Nine months ended June 1985	19 382	2 820	79.6	9.49	755	0.22	17.42
'B' reef							
Quarter ended June 1985	82	20	155.2	0.41	64	0.06	8.51
Quarter ended March 1985	188	34	108.5	1.35	146	0.06	6.75
Nine months ended June 1985	387	60	125.6	0.85	107	0.06	7.79
Leader reef							
Quarter ended June 1985	4	—	—	—	—	—	—
Quarter ended March 1985	77	24	96.9	4.27	414	0.21	20.08
Nine months ended June 1985	81	24	96.9	4.27	414	0.21	20.08

ERFDEEL DIVISION
Basal reef
During the quarter ended June 1985, 1 472 metres were advanced. (Quarter ended March 1985: 1 594 metres; nine months ended June 1985: 4 129 metres.) There were no sampling results.

DIVIDEND
The interim dividend of 415 cents a share in respect of the year ending September 30 1985 was declared on April 18 1985 payable to members registered on May 10 1985 and was paid on June 14 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985:
Holdings and Saaiplaas divisions .. R3 225 000
Erfdeel Division R46 420 000

SINKING OF THE No. 2 MAIN SHAFT AT ERFDEEL DIVISION
Full-scale sinking of the Erfdeel No. 2 main shaft commenced on June 11 1985.

For and on behalf of the board
E. P. GUSH } Directors
G. S. YOUNG }

July 19 1985

PRESIDENT STEYN

President Steyn Gold Mining Company Limited
Registration No. 05 28210 06
and its wholly-owned subsidiary, Video Mining Company Limited
Registration No. 76 02021 06
ISSUED CAPITAL: 14 566 400 shares of 50 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	9 months ended June 1985
OPERATING RESULTS			
Gold			
Area mined—m² 000	168	163	493
Tons milled—000	934	943	2 749
Yield—g/t	6.10	6.20	6.26
Production—kg	5 700	5 847	17 195
Cost—R/m² mined	414.64	418.84	410.06
—R/ton milled	74.58	72.40	73.54
—R/kg produced	12 221	11 676	11 787
JMS			
(See summary)			
Slimes delivered			
Tons 000	946	707	1 498
Head grade			
uranium kg/t	0.06	0.06	0.07
sulphur—per cent	1.06	0.93	1 01
gold—g/t	0.38	0.50	0.43

PRESIDENT STEYN—*continued*

	Quarter ended June 1985	Quarter ended Mar. 1985	9 months ended June 1985
PRICE RECEIVED ON SALES			
Gold—R/kg	20 198	19 863	19 784
—$/oz	321	297	317
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	115 590	117 202	342 043
—costs	69 659	68 271	202 162
—profit	45 931	48 931	139 881
JMS profit	2 853	2 548	8 289
Net sundry income	7 723	7 658	22 263
Profit before taxation and State's share of profit	56 507	59 437	170 433
Provision for taxation and State's share of profit	25 390	25 058	74 987
Profit after taxation and State's share of profit	31 117	34 379	95 446
Add:			
Transfer from general reserve			2 043
Deduct:			
Appropriation for the first six months —capital expenditure			27 042
Dividend—interim			39 329
Retained profit for the nine months			31 118
Capital expenditure	12 030	16 854	39 018

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Basal reef							
Quarter ended June 1985	4 694	572	58.7	47.10	2 765	0.31	18.44
Quarter ended March 1985	3 211	412	57.9	31.12	1 802	0.24	14.05
Nine months ended June 1985	14 026	1 694	57.9	37.62	2 178	0.27	15.81
Leader reef							
Quarter ended June 1985	1 215	398	124.2	3.74	465	0.25	30.84
Quarter ended March 1985	931	322	116.6	3.89	453	0.23	26.28
Nine months ended June 1985	3 066	1 096	123.5	3.62	447	0.22	27.19
"A" reef							
Quarter ended June 1985	2 667	822	75.6	4.63	350	0.14	10.25
Quarter ended March 1985	2 743	914	103.9	5.94	617	0.17	17.22
Nine months ended June 1985	8 522	2 740	93.5	5.39	504	0.15	14.18

The development reported does not include development by President Brand Gold Mining Company Limited in the area under tribute to that company.

DIVIDEND
The interim dividend of 270 cents a share in respect of the year ending September 30 1985 was declared on April 18 1985 payable to members registered on May 10 1985 and was paid on June 14 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R9 397 000.

CAPITAL EXPENDITURE
The estimated capital expenditure for the year has been reduced to R54 million (previously R60 million).

For and on behalf of the board
G. S. YOUNG } Directors
E. P. GUSH }

July 19 1985

FREE STATE GEDULD

Free State Geduld Mines Limited
Registration No. 05 26324 06
ISSUED CAPITAL: 10 440 000 shares of 50 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	9 months ended June 1985
OPERATING RESULTS			
Gold			
Area mined—m² 000	241	229	711
Tons milled—000	1 103	1 052	3 253
Yield—g/t	6.00	6.01	6.03
Production—kg	6 617	6 321	19 613
Cost—R/m² mined	392.04	403.53	384.32
—R/ton milled	85.70	87 89	84 03
—R/kg produced	14 286	14 626	13 937
JMS			
(See summary)			
Slimes delivered			
Tons 000	668	632	1 970
Head grade			
uranium—kg/t	0.08	0.08	0.08
sulphur—per cent	0.96	0.91	0.94
gold—g/t	0.54	0.48	0.50
PRICE RECEIVED ON SALES			
Gold—R/kg	20 126	19 858	19 740
—$/oz	320	299	315
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	133 628	125 723	388 924
—costs	94 529	92 459	273 350
—profit	39 099	33 264	115 574
JMS profit	2 019	2 024	5 940
Net sundry income	9 559	5 309	19 688
Profit before taxation and State's share of profit	50 677	40 597	141 202
Provision for taxation and State's share of profit	26 759	13 002	61 545
Profit after taxation and State's share of profit	23 918	27 595	79 657
Add:			
Transfer from general reserve			3 040
Deduct:			
Appropriation for the first six months —capital expenditure			25 036
Dividend—interim			32 886
Retained profit for the nine months			24 775
Capital expenditure	5 370	13 807	30 230

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Basal reef							
Quarter ended June 1985	18 269	2 156	23.5	62.00	1 457	0.73	17.10
Quarter ended March 1985	16 745	1 486	30.7	37.88	1 163	0.47	14.38
Nine months ended June 1985	52 468	4 836	26.4	52.20	1 378	0.59	15.49
Leader reef							
Quarter ended June 1985	912	554	89.2	3.69	329	0.16	14.50
Quarter ended March 1985	1 053	398	93.4	3.39	317	0.18	17.07
Nine months ended June 1985	3 065	1 430	99 2	3.38	335	0.15	15.26
"A" reef							
Quarter ended June 1985	2 037	454	70.0	7.21	505	0.09	6.45
Quarter ended March 1985	1 568	240	75.6	3.64	275	0.07	5.26
Nine months ended June 1985	5 103	966	65 5	5.89	386	0.09	5.93
"B" reef							
Quarter ended June 1985	0	14	18.3	14.92	273	0.07	1.30
Quarter ended March 1985	146	102	81.1	3.05	247	0.07	5.83
Nine months ended June 1985	260	124	80.2	2.99	240	0.07	5.38
Elsburg reef							
Quarter ended June 1985	12	4	190.0	2.49	473	0.02	4.20
Quarter ended March 1985	37	26	206.9	0.36	75	0.02	3 47
Nine months ended June 1985	85	50	165 6	0.49	81	0.02	2.55
Pyrite reef							
Quarter ended June 1985	1 018	848	268.3	4.03	1 081	0.05	12.69
Quarter ended March 1985	1 231	1 082	269.2	3.14	846	0.04	11.52
Nine months ended June 1985	3 655	3 085	264.8	3.34	883	0.04	11.08

The development reported includes development by the company in the area under tribute from Free State Development and Investment Corporation Limited but does not include development by Western Holdings Limited in the area under tribute to that company.

DIVIDEND
The interim dividend of 315 cents a share in respect of the year ending September 30 1985 was declared on April 18 1985 payable to members registered on May 10 1985 and was paid on June 14 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R4 324 000.

NO. 10 SHAFT SYSTEM
In accordance with the conditions of the company's mining lease, application was made to the Minister of Mineral and Energy Affairs for approval to commence sinking of the sh ft. This approval has been granted and it is expected that sinking of the ventilation shaft will commence in October 1985 and the main shaft in April 1986.

For and on behalf of the board
G. S. YOUNG } Directors
E. P. GUSH }

July 19 1985

PRESIDENT BRAND

President Brand Gold Mining Company Limited
Registration No. 05 32680 06
ISSUED CAPITAL: 14 040 000 units of stock of 50 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	9 months ended June 1985
OPERATING RESULTS			
Gold			
Area mined—m² 000	143	142	439
Tons milled—000	829	827	2 520
Yield—g/t	6.00	6 10	6 10
Production—kg	4 975	5 045	15 373
Cost—R/m² mined	407.53	411 86	394 06
—R/ton milled	70 30	70 72	68 65
—R/kg produced	11 714	11 592	11 253
JMS			
(See summary)			
Slimes delivered			
Tons 000	1 553	2 232	6 062
Head grade			
uranium—kg/t	0.09	0.08	0 09
sulphur—per cent	0.71	0.75	0.75
gold—g/t	0.69	0.66	0.69
PRICE RECEIVED ON SALES			
Gold—R/kg	20 144	19 863	19 568
—$/oz	320	317	312
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	99 638	100 723	302 107
—costs	58 277	58 484	172 992
—profit	41 361	42 239	129 115
JMS profit	12 200	16 244	42 144
Net sundry income	4 680	2 954	8 820
Dividend from Welkom Gold Mining Company Limited	—	7 522	7 522
Profit before taxation and State's share of profit	58 241	68 959	187 601
Provision for taxation and State's share of profit	12 032	10 261	37 886
Profit after taxation and State's share of profit	46 209	58 698	149 715
Add:			
Transfer from general reserve			1 855
Deduct:			
Appropriation for the first six months —capital expenditure			69 315
Dividend—interim			35 100
Retained profit for the nine months			47 255
Capital expenditure	31 726	40 018	100 897
SHAFT SINKING	metres	metres	metres
No. 5 shaft			
Advance	24	67	199
Depth to date	2 134	2 110	2 134
Station cutting	1 122	63	1 302
No. 1A shaft			
Advance	49	43	251
Depth to date	1 488	1 439	1 488
Station cutting	173	50	372

DEVELOPMENT

	Advance metres	Sampled metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Basal reef							
Quarter ended June 1985	4 537	674	73.4	23.24	1 706	0.13	9.36
Quarter ended March 1985	4 591	630	89.0	19 73	1 756	0.09	7.83
Nine months ended June 1985	14 217	1 838	85.3	22 94	1 957	0.11	9.02
Leader reef							
Quarter ended June 1985	4 092	1 922	151.1	3.48	526	0.11	16.20
Quarter ended March 1985	3 996	1 282	122.1	3.86	484	0.13	15.52
Nine months ended June 1985	12 076	4 440	139.1	3.68	512	0.11	15.80
"A" reef							
Quarter ended June 1985	811	704	107.3	3.02	324	0.08	8.02
Quarter ended March 1985	975	398	87 8	5.01	440	0.04	3.21
Nine months ended June 1985	2 628	1 278	100 5	3.52	354	0 06	6 15

The development reported includes development by the company in the area under tribute from President Steyn Gold Mining Company Limited.

DIVIDEND
The interim dividend of 250 cents a unit of stock in respect of the year ending September 30 1985 was declared on April 18 1985 payable to members registered on May 10 1985 and was paid on June 14 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R63 219 000.

For and on behalf of the board
E. P. GUSH } Directors
G. S. YOUNG }

July 19 1985

JOINT METALLURGICAL SCHEME

	Quarter ended June 1985	Quarter ended Mar. 1985	9 months ended June 1985
SUMMARY			
(i) Pyrite flotation plants slimes treated—tons	4 246 000	4 323 000	13 023 000
(ii) Uranium plant slimes treated—tons	1 256 000	1 162 000	3 490 000
concentrate treated—tons	108 000	106 000	323 000
uranium oxide produced—kg	161 419	142 345	466 157
(iii) Acid plant acid produced—tons	98 806	94 300	284 706
(iv) Gold plant calcine treated—tons	89 857	87 728	258 936
gold produced—kg	988	1 173	3 314
(v) Profit—R000	20 735	24 931	61 108

WELKOM GOLD MINING COMPANY LIMITED

The attention of shareholders is directed to the report of WESTERN HOLDINGS LIMITED

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTES

DEVELOPMENT

Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

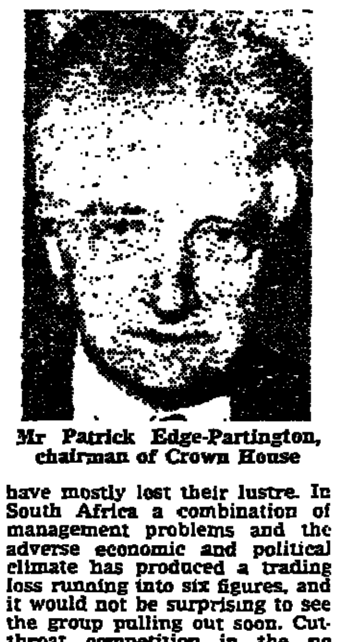
The Transvaal Group's results appear on another page in this newspaper.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

Tableware helps lift Crown House to over £6m

BOOSTED BY a strong performance in its tableware division, where exports rose by 19 per cent and profits by 50 per cent, Crown House has achieved an overall improvement in pre-tax profits for the year ended March 31, 1985, from £5.16m to £6.13m.

This profit increase was achieved on turnover down from £177.14m to £166.49m. The directors of this electrical and mechanical engineer and contractor, and tableware manufacturer, say that the static turnover in contracting in the UK reflects the order intake in the 1982 to 1984 period. At end-March, 1985, however, the order book at £112m was 41 per cent ahead of the position a year earlier.



Mr Patrick Edge-Partington, chairman of Crown House

The directors are recommending an increase in the total dividend to 7p (6.4p), with a final of 4.25p (3.9p). This is covered twice by stated net earnings of 13.9p (13.2p) per 25p share.

The present outlook in overseas contracting is dependent on the results of a review being carried out due to recent poor results in South Africa and the Arabian Gulf, and £1.5m has been set aside in extraordinary items to meet possible costs resulting from this review.

Further new patterns are being introduced in the tableware division, together with the silverware products in the George Butler and Cavalier ranges recently acquired, the directors state. They anticipate satisfactory figures overall for 1985-86. Assuming that overseas losses can be stemmed or eliminated this should have a beneficial effect on the group result.

Group net cash after deduction of borrowings, including the term bank loan, amounted to £2.9m at end-March, compared with £7.3m.

● comment

Overseas contracting activities wer once among the Crown jewels while the UK side of the businesss looked distinctly dull. How times have changed: now it is the British side that sparkles while the overseas activities have mostly lost their lustre. In South Africa a combination of management problems and the adverse economic and political climate has produced a trading loss running into six figures, and it would not be surprising to see the group pulling out soon. Cut-throat competition in the no longer so oil-rich countries could see Crown retreating on more than one front in the Gulf. Pulling out could prove expensive, but Crown has covered itself generously against this with a £1½m provision. Meanwhile UK contracting earnings have moved ahead, not so much from any upturn in the construction industry but from the rise in the value of the engineering content of buildings. Given the state of the order book Crown should have little difficulty in advancing earnings from this *division further, but much* depends on the extent to which it can stem or eliminate losses overseas. If the problem is alleviated and the tableware division continues its vigorous growth, £7m could be within easy reach this year. With the tax charge down to 40 per cent and the shares unchanged at 132p the prospective p/e ratio is a modest 7.

BOARD MEETINGS

The folowing companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not *available as to whether the dividends* are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Commercial Bank of Wales, Electronic Machine, Glasgow Stockholders Trust.

Finals:—Black Arrow, Bristol Evening Post, Bromsgrove Industries, Cowan de Groot, Marling Industries, Parkfield, Real Time Control, Rexmore, Thorpac, Viewplan, Wyndham.

FUTURE DATES

Interims:—

Fleming Fledgling Invest. Tst.	July 24
GRA	July 25
Jourdan (Thomas)	Aug 24
M.T.D. (Mangula)	Aug 6
St Andrew Trust	Aug 1

Finals:—

Banks (Sidney C.)	Aug 7
Bennett and Fountain	July 23
Black (Peter)	Aug 1
Dee Corporation	Aug 8
Forminster	July 26
Hampton Trust	July 23
Macarthys Pharmaceuticals	July 30
Neepsend	July 26
Polytechnic Electronics	Sept 13

S. R. Gent warns of second half setback

A DISAPPOINTING performance by the group as a whole has been announced by S. R. Gent for the second half of the year to end-June 1985.

However, until the accounts and audit are completed the directors of this South Yorkshire-based manufacturer of ladies' and children's clothes, and a principal supplier to Marks & Spencer, say that the final position cannot be determined.

They say that trading conditions in the second half, and particularly in the final quarter, have been very difficult. In the second half last year the group made profits of £3.97m (£3.55m), but the board expects a broadly break-even position *this time.*

S. R. Gent obtained a listing on the stock exchange in June 1983 and met its profits forecast of about £5m with £5.18m. In the year to end-June 1984 the group achieved an increase to £6.12m.

For the six months to December 1984, however, profits slumped from £2.15m to £901,000, although an unchanged 1p interim dividend was paid. *Last year's 2p final* dividend clearly cannot be maintained, the directors state, but they hope to be able to recommend a payment.

The major reasons for the disappointing performance are lower than expected sales of seasonal merchandise, which resulted in turnover for the second half being only slightly up, and pressure on selling prices which affected profitability in the crucial women's fashionwear area.

For the current year it is too early to make a statement, the directors say, but *action has and is being taken.*

The group's shares fell 24p yesterdty to 64p.

CAP flotation goes ahead

By Stefan Wagstyl

CAP, one of Britain's leading software houses, is braving the City's current antipathy towards high technology companies and pressing ahead with its planned flotation next week.

But the fall in share prices *in the electricals and electronics sectors has forced the* company and its adviser, Morgan Grenfell, to set their sights lower than expected. Instead of a value of £30m to £40m, indicated at the beginning of June, the group comes to market with a capitalisation of £26.2m.

The shares are being offered for sale at 120p each, or 16.4 times fully diluted earnings for the year to the end of April 1985. The yield, on a forecast dividend of 1.5p for the year to April 1986, is 1.78 per cent.

Morgan Grenfell has underwritten the sale of 7.5m shares, or 34.3 per cent of the company's enlarged equity. Of these, 5m are new shares being sold to raise £5.1m after expenses for the company.

CAP, founded in 1962, has grown rapidly in the past five years, making profits of £2.12m pre-tax on turnover of £36m in the year to April.

The prospectus is to be published in the Financial Times on Monday, and application lists will close on Thursday. Brokers are Wood Mackenzie.

Victoria Carpet profits up 71%

Victoria Carpet Holdings has lifted pre-tax profits by 71 per cent to £1.18m against £687,330 for the year to March 31 1985, on turnover ahead by £3.02m to £25.42m.

Australia produced the greater part of the increase, but the directors of this carpet maker and distributor say that results there can be affected by fluctuations in the economy and exchange rate, and by tariff changes. They say they have no illusions about the conditions in which the group operates.

The single dividend is lifted from 0.75p to 2p per share, while stated net earnings are up by 3p to 12.35p. The directors hope to maintain the dividend rate for the foreseeable future, but if their reservations about prospects are unfulfilled, they may consider a further increase next year.

Haslemere Estates rises to £6.47m

Haslmere Estates, the property development and investment group, increased its pre-tax profits from £5.83m to £6.47m in the year to March 31, 1985.

A final dividedn of 7.3p lifts the total from 8.7p to 9.6p net per 10p share.

Rental revenue rose to £21.94m (£19.31m) but trading sales, rental income and joint venture income fell to £10.47m (£28.48m) Net investment rental revenue amounted to £13.8m (£13.43m) after charging development outgoings of £2.79m (£1.3m). Net interest took £8.33m (£8.52m).

Attributable earnings totalled £4.59m (£4.39m) after tax of £1.88m (£1.45m). At year-end net asset value per share was 753p basic and 649p diluted. Earnings per share were 15.58p (14.99p).

Lonrho confident after £71m profit halfway

A SIGNIFICANT gain in first half profits has been made by Lonrho and the directors are confident that 1985 as a whole will be highly satisfactory, particularly as the group tradition*ally shows an improved second* half.

On a turnover gain of 11 per cent, from £1.15bn to £1.28bn, the profit before tax for the half year ended March 31, 1985, has surged by 33 per cent, from £53m to £70.7m.

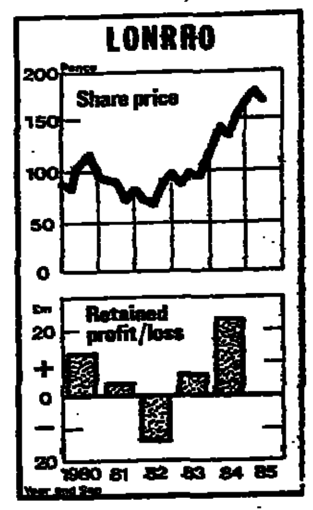
With a 2p increase in earnings to 10.9p per share, the second interim dividend is being lifted to 4p to make 5p (4.5p) for the year to date. *Total for the year ended September* 30, 1984, was 11p paid from pre-tax profits of £135m.

The directors report that the UK Audi and Volkwagen car distributorship and manufacturing activities are performing well. *In* the current year Lonrho's total sales of new vehicles in the UK alone will exceed 150,000 units, thereby making it the largest distribution network.

The partial closure of Crockfords for re-decoration during the first half affected the overall results of the ten casinos. A new casino in Queensway (London) has been licensed to operate and is being prepared for opening.

Overseas, the mining activities have done well in the first half.

Agricultural reports are mixed for the period. Good profits have come from tea, coffee and wattle,



while sugar has been affected by a fall in world prices.

After tax £35.4m (£25.6m) and minority interest £6.5m (£3.9m) the half year's attributable net profit came out at £28.8m, an increase of 23 per cent over the previous £23.5m.

There are extraordinary profits of £47.4m.

The pre-tax profit includes £16.6m (£24.8m) from associates. Their share of turnover totalled £328.8m (£454m) but is not included in the group figure.

● comment

Lonrho has produced a very reasonable interim result—although the scant details make it hard to establish just where the £6m profit from the sale of the group's last 61m shares in House of Fraser went. The November 1984 transactions left Lonrho £72m ahead as a result of its House of Fraser forays—but £23m of this gain had already been salted away in the reserves at the September year end. This This left £49m to be taken below the *line this time from which* some extraordinary debits had to be deducted. Above the line there is nothing from House of Fraser. The second interim payout takes the yield up to 11 per cent which, for a stock that is continuing to outperform the market, if only modestly, is a good return. The group will become the largest UK car distributor *if* its VAG unit succeeds in hitting the 150,000 new vehicle sales this year. Mining is showing surprising resilience with volumes rising and prices holding—especially in platinum. The second half promises to be even better and analysts believe that a record £165m is on. This has the shares at 168p on a prospective p/e of just over 5 (50 per cent tax charge). With the market now discounting the group's unpopular pursuing of the claim against British Airways (on which more news next week) the shares look the best bet among the major overseas traders at present.

UK COMPANY NEWS

FIH £5m purchase will expand printing division

Ferguson Industrial Holdings is expanding its printing and packaging side through a £52 cash acquisition of the Atlas House Company (Netherfield), a Nottingham-based manufacturer of fabric and adhesive labels predominantly for the major chain stores.

Details of the purchase accompanied FIH's first quarter results showing that gains made by printing and packaging were virtually wiped out by a downturn in building profits and higher interest costs.

Group taxable profits for the three months to end-March 1985 rose by under 3 per cent from £1.58m to £1.62m, not far above the £1.55m trading result that the printing and packaging side earned alone.

Trading profits from building supplies fell from £429,000 to £255,000 and, while manufacturing and the holding company registered gains, interest costs rose more than ten-fold to £227,000, against £21,000.

FIH says that most of the 25 per cent increase in printing and packaging stemmed from business with high street stores, and the trend is continuing.

Trading conditions in the building supplies division remained difficult, as expected, although some improvement is anticipated in the second quarter. Manufacturing achieved a 49 per cent increase to £109,000 but construction added nothing to trading profit. Group turnover rose from £35.24m to £37.58m.

Employees' profit sharing took less at £155,000, against £181,000.

The Atlas purchase, says FIH, will give the existing label companies (mainly based in London) a better geographical spread and a larger base to take advantage of technical innovations and developments in these markets.

A further maximum £1m may be paid for Atlas if its taxable profits exceed £950,000 for the year to end-February 1986. Last year its profits reached £167,000 on turnover of £4.18m.

Berisfords checked by higher interest

AS EXPECTED the Berisford Group improved on its first half performance over the second six months and for the 1984-85 year as a whole returned pre-tax profits of £729,000 from a turnover of £20.91m.

The previous accounting period covered the 71 weeks to end-March 1984 when turnover amounted to £25.54m and pre-tax profits £1.03m — the group manufactures ribbons, labels, trimmings and embroidery.

On an annualised basis both turnover and profits for the two periods were virtually identical. The directors point out, however, that as shown in the p/l account the annualised trading profits were usefully higher which, in view of the static turnover, was not unsatisfactory.

They add, nonetheless, that the improvement was offset by a substantially higher interest charge.

A final dividend of 3.73p makes a total of 5.28p net per 25p share, compared with 6.6p for the 71 weeks.

Operating profits for the past year, to March 31, 1985, emerged at £1.41m (£1.59m for 71 weeks) before taking account of interest charges of £677,000 (£568,000).

During the year some divisions, including ribbon and labels, made a considerable advance as a consequence of greater efficiency in containing manufacturing costs while the trimmings division, along with producers in other countries, experienced a material fall in demand.

The trimmings plant in Holland produced a further loss and as a result has been closed.

The directors say that in recent months there have been contractions in the world market for some types of narrow fabrics at a time of advances in productivity for the employment of modern machinery.

They add that it is apparent that Berisfords can take advantage of this as a result of its established market position and recent investments in new plant but point out that there is scope for considerably wider rationalisation of the group's manufacturing facilities.

Robertson Research surges 49%

Robertson Research yesterday unveiled a 49 per cent increase from £1.81m to £2.7m in 1984-85 taxable profits and expects further growth in the current year.

Most of the rise for the year to March 31, stemmed from growth in service to the oil and gas industry—Robertson provides geological and technical services.

Turnover expanded from £15.78m to £18.95m and the directors say that results for the first quarter of 1985-86 are substantially ahead of the corresponding period. Profits were up from £822,000 to £1.17m pre-tax.

The are recommending a final dividend of 3p which makes a total of 4.2p for Robertson's first full year as a listed company. A one-for-one scrip issue is also proposed.

The dividend is covered more than three-fold by stated earnings per 10p share of 13.1p, against 10.2p.

Group operating profits expanded to £2.65m (£1.96m), and the taxable result included associate contributions of £112,000 (£54,000) and was struck after interest payable of £64,000 (£202,000).

Net profits emerged at £1.61m (£1.09m). after tax of £1.09m (£722,000). Extraordinary income added £85,000 (£240,000), leaving the attributable balance at £1.69m (£1.36m)—there were minorities last time of £25,000. Dividends will take £507,000 (£95,000).

Y. J. Lovell advances to £2.5m and lifts interim

WITH THE help of acquisitions the Y. J. Lovell (Holdings) group of builders has produced successful growth in the half year ended March 31 1985. The directors believe that will be maintained and view the prospects for the current year with measured confidence; they are raising the interim dividend from 1.4p to 1.55p net per share.

Including contributions from Essex and Suffolk Properties and Charter Homes, turnover for the six months moved ahead from £85.76m to £101.18m and the pre-tax profit advanced by £850,000 to £2.52m.

Most activities performed reasonably well Y. J. Lovell (America) is doing better and a useful profit is expected for the full year, but a return to loss in the timber division has led to the decision to dispose of it.

Reviewing the half year the directors report that the building division did well to match last year's performance, and there are "grounds for believing that the worst could now be behind us." The plant hire company increased sales and hire income and again exceeded its profit expectations.

Residential development, both private and housing partnership sectors, lifted sales and profits, despite a slow start. Good progress is also made on a number of urban redevelopment and sheltered housing schemes.

The industrial and commercial developments division significantly increased its level of activity compared with last year. There will be a contribution in the second half from the leasing and sale of some completed developments, together with a modest rise in rental income.

In timber merchanting, much has been done to restructure the organisation and reduce overheads, but mainly due to trading conditions the business has fallen back into substantial loss. Lovell's continued involvement therein has been reviewed and, as a result, progressive disposal of those interests has been under way since the half year and will be continued until completed.

The directors say that market conditions have improved only marginally, particularly in construction. High interest rates not only dampen demand but also place a heavy burden on costs.

The half year figures take in six months of Essex and Suffolk and three months of Charter Homes.

Principally as a result of the stock relief changes introduced in the 1984 Budget, the provision for tax has been increased from £250,000 to £806,000, which cuts the earnings from 8.26p to 8.11p per share.

YEARLING BONDS totalling £9.75m at 11$\frac{5}{16}$ per cent, redeemable on July 23, 1986, have been issued by the following local authorities. Basingstoke & Deane Borough Council £0.25m: Cheltenham BC £0.5m: East Lindsey District £0.5m: Lothian Regional Council £3m: Cumbernauld & Kilsyth DC £0.25m: Lliw Valley (Borough of) £0.5m: Milton Keynes (Borough of) £0.75m: Ynys Mon Isle of Anglesey BC £0.5m: Dundee (City of) DC £0.5m: Hart DC £0.5m: Kingston-upon-Hull (City of) £0.5m: Aberdeen (City of) DC £0.5m: Bolton Metropolitan BC £1m: Tamworth (Borough of) £0.5m.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	§12 %
Allied Dunbar & Co	12 %	C. Hoare & Co.	12 %
Allied Irish Bank	12 %	Hongkong & Shanghai	12 %
American Express Bk.	12 %	Johnson Matthey Bkrs.	12½%
Henry Ansbacher	12 %	Knowsley & Co. Ltd.	12½%
Amro Bank	12 %	Lloyds Bank	12 %
Associates Cap. Corp.	13 %	Edward Manson & Co.	13½%
Banco de Bilbao	12 %	Meghraj & Sons Ltd.	12 %
Banco Hapoalim	12 %	Midland Bank	12 %
BCCI	12 %	■ Morgan Grenfell	12 %
Bank of Ireland	12 %	Mount-Credit Corp. Ltd.	12 %
Bank of Cyprus	12 %	National Bk. of Kuwait	12 %
Bank of India	12½%	National Girobank	12 %
Bank of Scotland	12 %	National Westminster	12 %
Banque Belge Ltd.	12 %	Northern Bank Ltd.	12 %
Barclays Bank	12 %	Norwich Gen. Trust	12 %
Beneficial Trust Ltd.	13½%	People's Trust	13 %
Brit Bank of Mid. East	12 %	PK Finans Intl. (UK)	13 %
■ Brown Shipley	12 %	Provincial Trust Ltd.	13½%
CL Bank Nederland	12 %	R. Raphel & Sons	12 %
Canada Permanent	12 %	Roxburghe Guarantee	13 %
Cayzer Ltd.	12 %	Royal Bank of Scotland	12 %
Cedar Holdings	13 %	Royal Trust Co. Canada	12 %
■ Charterhouse Japhet	12 %	■ J. Henry Schroder Wagg	12 %
Choulartons**		Standard Chartered	‖12 %
Citibank NA	12 %	TCB	12 %
Citibank Savings	¶12½%	Trustee Savings Bank	12 %
City Merchants Bank	12 %	United Bank of Kuwait	12 %
Clydesdale Bank	12 %	United Mizrahi Bank	12 %
C. E. Coates & Co. Ltd.	13 %	Westpac Banking Corp.	12 %
Comm. Bk. N. East	12 %	Whiteaway Laidlaw	12½%
Consolidated Credits	12½%	Williams & Glyn's	12 %
Co-operative Bank	*12 %	Yorkshire Bank	12 %
The Cyprus Popular Bk.	12 %		
Duncan Lawrie	12 %		
E. T. Trust	13 %		
Exeter Trust Ltd.	12½%		
First Nat. Fin. Corp.	13½%		
First Nat. Secs. Ltd.	13½%		
■ Robert Fleming & Co.	12 %		
Robert Fraser & Ptns.	13 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		
Heritable & Gen. Trust	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 8.75%. 1 month 9.5%. Top Tier—£2,500+ at 3 monthly notice 12%. At call when £10,000+ remains deposited.
‡ Call deposits £1,000 and over 8¼% gross.
‖ 21-days deposits over £1,000 10%.
¶ Mortgage base rate.
** See Provincial Trust Ltd.
§ Demand deposits 8½%.

Transvaal

Gold mining companies administered by Anglo American Corporation

All companies are incorporated in the Republic of South Africa

Reports of the Directors for the quarter ended June 30 1985

WESTERN DEEP LEVELS

Western Deep Levels Limited
Registration No. 57 02349 06

ISSUED CAPITAL: 25 550 000 shares of R2 each

	Quarter ended June 1985	Quarter ended Mar. 1985	Six months ended June 1985
OPERATING RESULTS			
Gold			
Area mined—m² 000	181	187	368
Tons milled—000	900	933	1 833
Yield g/t	10.23	10.28	10.26
Production—kg	9 210	9 591	18 801
Cost—R/m² mined	421.67	401.28	411.31
—R/ton milled	84.80	80.43	82.58
—R/kg produced	8 287	7 824	8 051
Uranium oxide			
Tons treated—000	266	357	623
Yield kg/t	0.10	0.08	0.09
Production—kg	25 731	28 305	54 036
PRICE RECEIVED ON SALES			
Gold—R/kg	20 177	19 526	19 849
—$/oz	320	307	310
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	187 742	186 988	374 630
—costs	76 323	75 039	151 362
—profit	111 419	111 849	223 268
Uranium oxide profit (loss)	7 330	1 410	8 740
Net sundry income	5 886	7 335	13 221
Profit before taxation and State's share of profit	124 635	120 594	245 229
Provision for taxation and State's share of profit	29 605	53 222	82 827
Profit after taxation and State's share of profit	95 030	67 372	162 402
Add: Transfer from general reserve	—	—	—
Deduct: Appropriation for capital expenditure			108 266
Dividend—interim			56 210
Retained profit for the six months			2 076
Capital expenditure	66 431	41 835	108 266
SHAFT SINKING			
No. 1 main shaft	metres	metres	metres
Advance	43	8	51
Depth to date	2 374	2 331	2 374
Station cutting	24	—	24
No. 1 service shaft			
Advance	99	179	278
Depth to date	2 257	2 158	2 257
Station cutting	55	26	81

DEVELOPMENT

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Ventersdorp Contact reef							
Quarter ended June 1985	4 556	40	48.3	36.69	1 772	—	—
Quarter ended March 1985	5 039	—	—	—	—	—	—
Six months ended June 1985	9 595	40	48.3	36.69	1 772	—	—
Carbon Leader reef							
Quarter ended June 1985	7 663	86	73.1	22.26	1 627	0.24	17.86
Quarter ended March 1985	7 363	128	39.3	71.07	2 793	0.79	30.94
Six months ended June 1985	15 026	214	52.9	43.95	2 325	0.49	25.68

URANIUM PLANT
Uranium production ceased during the quarter but income will continue to be derived from the company's stockpile of uranium. The uranium plant is being converted to a gold-treatment facility for the reclamation of the No. 3 shaft rock dump and for the treatment of current waste. It is expected that the converted plant will reach its target throughput of 120 000 tons by the end of 1985.

CAPITAL EXPENDITURE
Expenditure for 1985 was originally estimated at R228 million but shareholders were advised in the annual report that the programme may be altered in the light of the gold price. The favourable gold price has resulted in the capital expenditure budget being increased to R250 million for the year. Most of this increased budget will be spent at No. 1 shaft.

DIVIDEND
The interim dividend 220 cents a share in respect of the year ending December 31 1985 was declared on July 18 1985, payable to members registered on August 9 1985 and will be paid on or about September 13 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R76 414 000.

For and on behalf of the board
E. P. GUSH } Directors
T. L. PRETORIUS }

July 19 1985

ERGO

East Rand Gold and Uranium Company Limited
Registration No. 71 07001 06

ISSUED CAPITAL: 42 031 712 shares of 50 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	Year ended Mar. 1985
COMPANY RESULTS			
Material treated—tons	4 752 000	4 813 000	20 521 000
Gold production—kg	1 904	2 164	6 935
Uranium production—kg	34 248	37 843	150 997
Acid production—tons	104 336	116 855	486 375
PRICE RECEIVED ON SALES			
Gold—R/kg	20 145	20 081	18 256
—$/oz	317	313	345
	R000	R000	R000
Revenue	46 203	52 846	161 698
Cost of sales	27 446	24 431	84 488
Operating profit	18 757	28 415	77 210
Net sundry income	965	633	1 365
	19 722	29 048	78 575
Deduct: Royalties	145	396	844
Profit before taxation	19 577	28 652	77 731
Provision for taxation	4 067	934	3 525
Profit after taxation	15 510	27 718	74 206
Deduct: Appropriation for capital expenditure			45 593
Dividend—interim			11 374
—final			15 762
Retained profit for the year			1 477
Capital expenditure	8 575	19 525	60 893
ERGO DIVISION			
Slimes treated—tons	4 218 000	4 314 000	18 577 000
Gold production—kg	1 466	1 732	5 419
Uranium production—kg	34 248	37 843	150 887
Acid production—tons	98 366	111 348	450 098
	R000	R000	R000
Revenue—gold and silver	29 764	34 929	99 465
—uranium and acid	7 226	9 011	33 227
—total	36 990	43 940	132 692
Cost of sales	20 219	18 031	63 630
Operating profit	16 771	25 909	69 062
Net sundry income	963	624	1 315
Profit before taxation	17 734	26 533	70 377
Capital expenditure	3 763	14 522	48 333
SIMMERGO DIVISION			
Sand treated—tons	520 000	484 000	1 887 000
Ore milled—tons	13 000	15 000	56 672
Gold production—kg	438	432	1 516
Acid production—tons	5 970	5 506	26 277
	R000	R000	R000
Revenue—gold and silver	8 886	8 689	27 962
—acid	327	217	1 044
—total	9 213	8 906	29 006
Cost of sales	7 227	6 400	20 858
Operating profit	1 986	2 506	8 148
Net sundry income	2	9	50
Deduct: Royalties to: Simmer and Jack Mines Limited	145	378	788
Other	—	18	56
Profit before taxation	1 843	2 119	7 354
Capital expenditure	937	2 451	9 528

DEVELOPMENT

	Advance	Sampled			
	metres	metres	channel width cm	gold g/t	gold cm.g/t
South Deep shaft					
Quarter ended June 1985	601	514	228.3	1.77	403
Quarter ended March 1985	712	388	264.4	1.80	476
Year ended March 1985	3 272	1 590	228.2	1.92	438

DAGGAFONTEIN DIVISION

	Quarter ended June 1985	Quarter ended Mar. 1985	Year ended Mar. 1985
	R000	R000	R000
Capital expenditure	3 875	2 552	3 032

ERGO DIVISION
Gold and acid production were lower than that for the previous quarter, due mainly to the biennial overhaul of the larger acid plant. During the March quarter, gold was produced from pyrite stockpiles and from the carbon columns. This quarter the pyrite stockpiles were increased and the recovery from the carbon columns continues to diminish as the recovery from the carbon-in-leach (CIL) plant improves.

The commissioning of the CIL plant is almost complete. The forecast throughput has been obtained, but certain items of equipment are being adjusted to ensure a steady throughput with optimum recoveries. During the quarter, 270 kg of gold were recovered from the CIL plant and it is expected that a total of 2 000 kg will be produced from this source during the year.

The cost of the acid plant overhaul and the operating costs of the CIL plant are the principal reasons for the increase in the cost of sales.

SIMMERGO DIVISION
Development on the Kimberley reef at the South Deep shaft has been discontinued as insufficient payable ore was being proven to warrant additional expenditure. Prospecting extended for 1 700 metres along strike which is 40 per cent of the strike distance between the boundaries of the Simmer and Jack lease area.
A total of 7 730 metres was developed, of which 4 500 metres was on reef. About 25 per cent of this area is likely to be mined, yielding 167 000 stoping tons at an average in situ grade of 3.65 g/t. It is expected that mining will be completed by September 1987.

DIVIDEND
The final dividend of 37.5 cents a share in respect of the year ended March 31 1985 was declared on April 18 1985, payable to members registered on May 10 1985, and was paid on June 14 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R13 850 000, which included an amount of R383 000 for the Simmergo Division and R11 448 000 for the Daggafontein Division.

For and on behalf of the board
E. P. GUSH } Directors
T. L. PRETORIUS }

July 19 1985

VAAL REEFS

Vaal Reefs Exploration Mining Company Limited
Registration No. 05 17354 06

ISSUED CAPITAL: 19 000 000 shares of 50 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	Six months ended June 1985
OPERATING RESULTS			
Gold			
Totals			
Area mined—m² 000	439	546	985
Tons milled—000	2 570	2 790	5 360
Yield g/t	6.58	7.59	7.11
Production—kg	16 923	21 175	38 098
Cost—Complex			
—R/m² mined	381.70	325.23	350.40
—R/ton milled	65.20	63.65	64.39
—R/kg produced	9 902	8 386	9 059
North Lease area			
Area mined—m² 000	330	358	688
Tons milled—000	1 623	1 686	3 309
Yield g/t	6.33	6.84	6.59
Production—kg	10 280	11 539	21 819
Cost—R/m² mined	317.45	305.34	311.15
—R/ton milled	64.15	64.83	64.69
—R/kg produced	10 109	9 473	9 773
South Lease area			
Area mined—m² 000	80	164	244
Tons milled—000	773	925	1 698
Yield g/t	8.17	10.07	9.21
Production—kg	6 319	9 317	15 636
Cost—R/m² mined	733.6	394.25	505.53
—R/ton milled	75.93	69.90	72.64
—R/kg produced	9 421	6 940	7 943
Afrikander Lease area			
Area mined—m² 000	29	24	53
Tons milled—000	174	179	353
Yield—g/t	1.86	1.78	1.82
Production—kg	324	319	643
Cost—R/m² mined	141.93	150.28	145.72
—R/tons milled	23.66	20.15	21.88
—R/kg produced	12 703	11 307	12 011
Uranium oxide			
Totals:			
Tons treated—000	1 772	2 272	4 044
Yield—kg/t	0.20	0.23	0.22
Production—kg	362 601	524 521	887 122
North Lease area			
Tons treated—000	1 195	1 194	2 389
Yield—kg/t	0.19	0.20	0.20
Production—kg	230 023	237 162	467 185
South Lease area			
Tons treated—000	577	1 078	1 655
Yield—kg/t	0.23	0.27	0.25
Production—kg	132 578	287 359	419 937
PRICE RECEIVED ON GOLD SALES			
—R/kg	20 154	19 265	19 616
—$/oz	321	293	304
FINANCIAL RESULTS	R000	R000	R000
Total:			
Gold—revenue	344 728	403 255	747 983
—costs	167 568	177 575	345 143
—profit	177 160	225 680	402 840
Uranium oxide profit	44 598	44 905	89 503
Tribute profits	13 116	11 173	24 289
Net sundry income	21 243	16 821	38 064
Dividend from Southvaal Holdings Limited —interim declared July 1985	15 600	—	15 600
	271 717	298 579	570 296
Deduct: Royalties to:			
—Southvaal Holdings Limited	47 416	63 792	111 208
—The Afrikander Lease Limited	389	706	1 095
—Anglo American Gold Investment Company Limited	182	145	327
Profit before taxation and State's share of profit	223 730	233 936	457 666
Provision for taxation and State's share of profit	111 791	119 671	231 462
Profit after taxation and State's share of profit	111 939	114 265	226 204
Deduct: Appropriation for capital expenditure			73 059
Dividend—interim			152 000
Retained profit for the six months			1 145
Capital expenditure	32 244	40 483	72 727
CONSOLIDATED PROFIT			
Consolidated profit, after providing for taxation and State's share of profit, of the company and its wholly-owned subsidiary, Western Reefs Exploration and Development Company Limited	111 887	114 297	226 184
North Lease area			
Gold—revenue	207 998	219 415	427 413
—costs	103 920	109 311	213 231
—profit	104 078	110 104	214 182
Uranium oxide profit	21 144	21 397	42 541
Tribute profit	4 863	6 564	11 427
	130 085	138 065	268 150
Capital expenditure	14 822	14 753	29 575
South Lease area			
Gold—revenue	130 205	177 718	307 923
—costs	59 532	64 657	124 189
—profit	70 673	113 061	183 734
Uranium oxide profit	23 191	23 377	46 568
Tribute profit	8 253	4 609	12 862
	102 117	141 047	243 164
Deduct:			
Capital expenditure	15 475	25 065	40 540
Repayment of loan and interest to Southvaal Holdings Limited	243	243	486
Repayment of consumer loan	190	(249)	(59)
Surplus subject to royalty	86 209	115 988	202 197
Royalty to Southvaal Holdings Limited (55 per cent of surplus)	47 416	63 792	111 208
Capital expenditure	15 475	25 065	40 540
Afrikander Lease area			
Gold section			
Gold—revenue	6 525	6 122	12 647
—costs	4 116	3 607	7 723
—Profit	2 409	2 515	4 924
Deduct:			
Ongoing capital expenditure	1 897	634	2 531
Recoupment of initial capital expenditure	102	100	202
Provision for taxation	(105)	469	364
Available for royalty	515	1 312	1 827
Provision for royalty to:			
Afrikander Lease Limited	289	642	901
Anglo American Gold Investment Company Limited	182	145	327
(The royalties are payable only when the results of the operations for the full year have been determined)			
Capital expenditure	1 897	634	2 531
Uranium section			
Uranium oxide profit	263	131	394
Royalty to The Afrikander Lease Limited	130	64	194
Capital expenditure (Metallurgical Plant)	50	31	81

DEVELOPMENT

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
North Lease Area Vaal Reef							
Quarter ended June 1985	12 934	1 878	35.7	48.21	1 721	1.38	49.15
Quarter ended March 1985	15 305	1 734	35.6	50.37	1 793	1.44	51.31
Six months ended June 1985	28 239	3 612	35.7	49.19	1 756	1.41	50.18
Ventersdorp Contact reef							
Quarter ended June 1985	320	106	352.6	2.98	1 051	0.12	43.05
Quarter ended March 1985	402	100	225.2	2.89	650	0.06	12.40
Six months ended June 1985	722	206	291.3	2.95	858	0.10	28.31
Area under tribute to and developed by Hartebeestfontein Gold Mining Company Limited (not included in totals) Vaal Reef							
Quarter ended June 1985	320	54	163.2	13.47	2 199	0.52	85.26
Quarter ended March 1985	370	82	109.2	14.15	1 545	0.33	36.24
Six months ended June 1985	690	136	130.6	13.82	1 805	0.43	55.71
South Lease Area Vaal Reef							
Quarter ended June 1985	5 142	348	103.2	16.54	1 707	0.64	65.85
Quarter ended March 1985	*12 764	860	107.4	20.24	2 174	0.82	88.55
Six months ended June 1985	17 906	1 208	106.2	19.20	2 039	0.77	82.01
'C' Reef							
Quarter ended June 1985	233	58	32.1	34.58	1 110	0.83	26.52
Quarter ended March 1985	443	44	32.2	70.25	2 262	1.45	46.62
Six months ended June 1985	676	102	32.2	49.91	1 607	1.09	35.19

VAAL REEFS—continued

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Area under tribute to and developed by Buffelsfontein Gold Mining Company Limited (not included in totals) Vaal Reef							
Quarter ended June 1985	1 137	60	103.7	9.53	988	0.42	43.20
Quarter ended March 1985	810	60	153.6	7.67	1 178	0.53	81.38
Six months ended June 1985	1 947	120	128.6	8.42	1 083	0.48	62.29

* Includes 149 metres advanced by Buffelsfontein for the company.

	Advance	Sampled					
	metres	metres	channel width cm	gold g/t	gold cm.g/t	uranium kg/t	uranium cm.kg/t
Afrikander Lease area (gold section) Jeppestown Rietkuil No. 5 reef							
Quarter ended June 1985	987	134	126.9	1.98	251	0.01	1.65
Quarter ended March 1985	804	22	59.5	5.71	340	0.04	2.20
Six months ended June 1985	1 791	156	117.4	2.25	264	0.02	1.73
Totals Vaal reef (excluding tribute areas)							
Quarter ended June 1985	18 076	2 226	46.3	37.13	1 719	1.12	51.74
Quarter ended March 1985	*28 069	2 594	59.4	32.31	1 919	1.07	63.66
Six months ended June 1985	*46 145	4 820	53.4	34.21	1 827	1.09	58.15

* Includes 149 metres advanced by Buffelsfontein for the company (quarter ended June: Nil metres; six months ended June: 149 metres).

PRODUCTION
During May shareholders were advised of the situation pertaining as a result of labour unrest and the subsequent dismissal of a significant proportion of the labour force. Production for the quarter ended June 1985 was affected by the disruption and gold production was 4 252 kilograms lower than that of the previous quarter. Gold production for the year for both the North and South lease areas is nevertheless expected to be approximately as that for 1984.

DIVIDEND
The interim dividend of 800 cents a share in respect of the year ending December 31 1985 was declared on July 18 1985, payable to members registered on August 9 1985 and will be paid on or about September 13 1985.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R28 072 000.

For and on behalf of the board
E. P. GUSH } Directors
T. L. PRETORIUS }

July 19 1985

S.A. LAND

The South African Land & Exploration Company Limited
Registration No. 01 01879 06

ISSUED CAPITAL: 9 182 700 shares of 35 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	Six months ended June 1985
OPERATING RESULTS			
Gold			
Tons milled—000	601	628	1 229
Yield—g/t	0.70	0.75	0.72
Production—kg	418	468	886
Production, transport and screening costs			
—R/ton milled	8.42	7.99	8.20
—R/kg produced	12 110	10 731	11 381
PRICE RECEIVED ON SALES			
Gold—R/kg	20 193	19 938	20 061
—$/oz	321	298	309
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	8 560	9 376	17 936
—production costs	2 903	2 797	5 700
—transport and screening costs	2 159	2 225	4 384
	3 498	4 354	7 852
Less cost of dump material	1 961	2 496	4 457
Gold profit	1 537	1 858	3 395
Net sundry income	388	361	749
Profit before taxation	1 925	2 219	4 144
Taxation—estimated	981	890	1 871
Profit after taxation	944	1 329	2 273
Deduct: Appropriation for capital expenditure			360
Dividend—interim			1 837
Retained profit for the six months			76
Capital expenditure	(10)	370	360

FLOTATION PLANT
Test work has indicated that it may be possible to modify the design of the plant and to improve the return from the project as a result. Construction of the plant has therefore been delayed, and the capital expenditure forecast of R4.1 million for the year will not be achieved. It is not possible to give an accurate revised estimate of capital expenditure for the year at this stage, and a further announcement will be made as soon as possible. Shareholders are reminded that the company's retained earnings are to finance in part this capital expenditure and thus the effect on dividends will be minimal.

DIVIDEND
The interim dividend of 20 cents a share in respect of year ending December 31 1985 was declared on July 18 1985 payable to members registered on August 9 1985 and will be paid on or about September 13 1985.

CAPITAL EXPENDITURE COMMITMENTS
There were no orders placed or outstanding on capital contracts as at June 30 1985.

For and on behalf of the board
T. L. PRETORIUS } Directors
E. P. GUSH }

July 19 1985

ELANDSRAND

Elandsrand Gold Mining Company Limited
Registration No. 74 01477 06

ISSUED CAPITAL: 56 619 825 shares of 20 cents each

	Quarter ended June 1985	Quarter ended Mar. 1985	Six months ended June 1985
OPERATING RESULTS			
Gold			
Area mined—m² 000	99	98	197
Tons milled—000	497	491	988
Yield g/t	6.06	5.94	6.00
Production—kg	3 011	2 917	5 928
Cost—R/m² mined	287.35	276.50	281.97
—R/ton milled	57.42	54.99	56.21
—R/kg produced	9 476	9 257	9 369
PRICE RECEIVED ON SALES			
Gold—R/kg	20 186	19 400	19 797
—$/oz	320	295	308
FINANCIAL RESULTS	R000	R000	R000
Gold—revenue	61 087	56 289	117 376
—costs	28 538	27 002	55 540
—profit	32 549	29 287	61 836
Net sundry income	5 314	4 928	10 242
Profit	37 863	34 215	72 078
Deduct: Appropriation for capital expenditure			30 377
Dividend—interim			38 648
Retained profit for the six months			3 053
Capital expenditure	16 696	13 681	30 377
SHAFT SINKING	Metres	Metres	Metres
Sub-vertical ventilation shaft extension			
Advance	28	102	130
Depth to date	152	124	152

DEVELOPMENT

	Advance	Sampled			
	metres	metres	channel width cm	gold g/t	gold cm.g/t
Elsburg reef					
Quarter and six months ended June 1985	63	40	130.4	1.66	217
Ventersdorp Contact reef					
Quarter ended June 1985	5 651	1 178	74.9	21.63	1 620
Quarter ended March 1985	5 559	1 588	78.0	20.12	1 569
Six months ended June 1985	11 210	2 766	76.7	20.74	1 591

Station cutting metres are included under advance metres.

DIVIDEND
The interim dividend of 40 cents a share in respect of the year ending December 31 1985 was declared on July 18 1985, payable to members registered on August 9 1985 and will be paid on or about September 13 1985.

SUB-VERTICAL SHAFT
The commissioning of the sub-vertical shaft was completed during the quarter. Access development and ancillary equipping will now be undertaken and mining from the sub-vertical shaft is expected to take place from 1987.

CAPITAL EXPENDITURE COMMITMENTS
Orders placed and outstanding on capital contracts as at June 30 1985 totalled R12 119 000.

For and on behalf of the board
E. P. GUSH } Directors
T. L. PRETORIUS }

July 19 1985

SOUTHVAAL HOLDINGS LIMITED and THE AFRIKANDER LEASE LIMITED

The attention of shareholders of these companies is directed to the report of Vaal Reefs Exploration and Mining Company Limited.

ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED

NOTE
DEVELOPMENT
Development values represent actual results of sampling, no allowances having been made for adjustments necessary in estimating ore reserves.

The Orange Free State Group's results appear on another page in this newspaper.

LONDON OFFICES: 40 HOLBORN VIADUCT, EC1P 1AJ

ASH raises profit to £3.2m and sees more growth

THE GROWTH experienced at Automated Security (Holdings) in recent years was again evident in the opening half of the current year. In the six months to May 31 1985, pre-tax profits climbed from £2.18m to £3.17m despite interest charges considerably higher at £662,000 compared with £302,000.

This holding company, which specialises in the rental of security alarm systems, is raising its interim dividend from 0.48p to 0.55p net. Last year a total of 1.24p was paid from record pre-tax profits of £6.26m, a figure which showed a 42 per cent increase on the previous year. Stated earnings per 10p share rose from 3.7p to 4.17p undiluted, and from 3.56p to 4.02p fully diluted.

Turnover in the first half was £16.03m against £13.23m. Tax jumped from £188,000 to £682,000.

The directors say the company has continued the policy of investing heavily in long-term rental assets, producing an increasing rental stream. They would expect to see the annual recurring rental stream increase substantially by the year-end.

The increase in interest charges was principally due to higher prevailing interest rates and the increased level of investments.

Trading, they say, has been excellent to-date in the security rental division, and in article surveillance the company expects to place the new Securitag disposable tag system on field trials within two months, and a substantial market is anticipated.

Medical Alert's acquisition of Aerospace Communication Systems has greatly expanded this division's activities, and the company is expecting substantial growth in the future.

Network Security Corporation, in which the company acquired a 26 per cent interest in November 1984—it now has a 27.7 per cent interest—continues to trade well. Network has made two useful acquisitions in the past six months—including 80 per cent in Video Tek Inc. of New Jersey for $1.5m cash. Video Tek manufactures and instals fully computerised closed circuit television systems.

● comment

Automated Security's first-half figures are not directly comparable with last year's because of the acquisition of a stake in Network Security last November, but stripping out a guesstimate of £400,000 for Network's contribution still leaves a 27 per cent increase in pre-tax profits—well above forecasts of about £3m. The reason for ASH's impressive performance is clear: crime is a growth industry in the UK and those in the security business are beneficiaries. Commercial undertakings are under increasing pressure from insurance companies to upgrade their level of security and ASH's rent roll grows larger as a result. The other divisions also show strong growth prospects. Medical Alert may not be contributing yet but with ASH's backing there need be few fears for its future. On present trends the full-year figure is set fair for £9.2m which would have the shares, up 4p yesterday at 152p, on a prospective p/e ratio of 13 after a 17 per cent tax charge. Oddly, the multiple seems to be suffering from disillusionment with the electronics sector, with which ASH has little or nothing in common. Given the growth rate and the quality of its earnings, the shares are undervalued.

Bloodstock Agency lifts profit to nearly £1.6m

A RECORD year for the British Bloodstock Agency has resulted in an increase from £4.75m to £5.36m in turnover and a rise from £1.27m to £1.57m in profit before tax. The final dividend is 5.5p for a net total of 8p in respect of the 12 months ended March 31, 1985.

The group's principal activities are the purchase and sale (as agents) of bloodstock, stallion shares and nominations, the management of stallion syndicates; and the insurance and shipping of horses. Last September it placed 24.9 per cent of its capital on the USM at 165p per share.

The directors say that almost all the group's activities contributed to the improved performance, and there was a particularly satisfactory increase in commissions earned on the purchase and sale of bloodstock.

Both the company and its subsidiary B.B.A. (Ireland) traded successfully, the latter having a particularly good year.

Comparative results are restated on the basis that B.B.A. (Ireland) was wholly-owned throughout that year.

Gross revenue for the year rose from £72.27m to £78.5m. After tax £788,000 (£616,000) and minorities £32,000 (nil) the attributable net profit was £756,000 (£656,000). Extraordinary charges come to £151,000—including flotation expenses and the dividend cost is £273,000. Earnings are shown at 23.9p (19.2p) per share.

The group also owns a portfolio of stallion shares, undertakes valuations, researches pedigrees and manages racing and breeding interests on behalf of clients.

Remould tyres' popularity boosts BTS figures

BTS Group, one of the UK's leading manufacturers and suppliers of fast fit accessories to the motor trade, reports a 32 per cent increase from £293,000 to £564,000 in pre-tax profits for the year to March 31, 1985.

Commenting on the group's initial figures since coming to the Unlisted Securities Market, Mr Alan Stote, the chairman, says the company has seen continued growth in the fast fit sector—where it makes the majority of its sales—and it has increased its share in that sector.

He adds: "The growing acceptance by the motorist of remould tyres as a safe, reliable and economic alternative has benefitted us as one of the largest manufacturers of remould tyres. Demand for remould tyres has continued to exceed present production levels and, as a result, we anticipate that we will increase output by up to 20 per cent and during the second half of the current year."

Turnover was up 20 per cent from £6.56m to £7.88m, and the cost of sales rose from £4.54m to £5.6m. The *pre-tax figure* was after higher distribution costs of £528,000 (£422,000), administration expenses of £1.12m (£1.08m) and interest charges of £83,000 (£87,000). Last year directors' bonuses accounted for £135,000.

Although it is too early to make a forecast for 1985-86, Mr Stote says present indications lead him to expect a satisfactory increase in profits in the absence of unforeseen circumstances.

As a measure of its confidence in the future, the board proposes a dividend of 1.5p net as against the 1p forecast in the prospectus. The two major shareholders will waive that part of their dividend entitlement equivalent to the additional 0.5p.

COMPANY NEWS IN BRIEF

REA has received acceptances in respect of 25,258,090 (74.6 per cent) Applied Botanics ordinary and 5,614,828 deferred shares (88.8 per cent). The ordinary and deferred offers remain conditional as to acceptances and have been extended until 3 pm on July 22.

SMITH & NEPHEW Associated Companies is to buy Vulco Latex Industries based in Johannesburg. The company is the major South African manufacturer of rubber latex products, predominantly of surgical and examination gloves for supply to hospitals. It has sales of about £4m and manufactures both for the home and export markets.

TURNBYLL SCOTT HLDGS has acquired 75 per cent of Acoustat, a company based in Bristol which designs and manufactures soundproof cabinets for engines and acoustic barriers. The consideration is £82,500.

DUNHILL HOLDINGS has been advised that the H. E. Dunhill Will Trust has sold 2.88m of its holding of 6.88m ordinary (6.8 per cent) at 302p per share.

HAZLEWOOD FOODS has acquired J. & J. Tranfield, a specialist producer of cooked meat products based in Sheffield. In the year ended April 30 1985 Tranfield made profits before tax and extraordinary items of £305,413 and had net assets at year-end of £1.57m. Consideration is £1.5m, satisfied as to £1m in cash and by the issue of 81,436 ordinary shares of 20p each in Hazlewood.

UNIGROUP has entered into a conditional agreement for the purchase of Security Shutters (UK). The consideration is £450,000 on completion in shares. Further instalments will be payable as to £183,750, £247,500, £288,750, and £330,000 in 1986, 1987, 1988 and 1989 respectively, subject to reduction if Security pre-tax profits do not reach £186,360, £300,000, £350,000 and £400,000 in each of those years.

PHILIP HARRIS (HOLDINGS), manufacturer of scientific apparatus, achieved higher taxable profits of £635,421, against £612,024, in the year to end-March 1985. Turnover rose from £24.83m to £28.12m. The final dividend is 4.75p which lifts the total payout to 7.75p (7.25p).

Hickson International is acquiring Delefray's Lakfabrieken in The Hague for about Fl 2m (£450,000), which will reinforce Hickson's presence in Europe following its purchase of the Van Swaay companies in the Netherlands and Belgium last year. The acquisition will enable Hickson's Timber Products to expand its UK sales of surface coatings, and it will strengthen Hickson's technical base in the field of stains supply.

TRIBUNE INVESTMENT Trust raised net asset value per 25p share from 117.4p to 142.3p in the 12 months ended June 30 1985. Gross revenue for the six months to end-June amounted to £1.52m (£1.4m). Net revenue totalled £865,000 (£728,000), after tax of £492,000 (£447,000). Earnings per share rose to 1.69p (1.42p) and the interim dividend is raised to 0.6p (0.55p) net.

FT COMMERCIAL LAW REPORTS

No shipowner's warranty against ITF intervention

THE DERBY

Court of Appeal (Lord Justice Kerr, Lord Justice Croom-Johnson and Sir Denys Buckley): July 10 1985

A TIME-CHARTER clause which provides that the vessel shall be "in every way fitted for service" does not in itself import a warranty by the shipowners that the crew's pay and conditions of employment are such that she will be proof against delay due to intervention by the International Transport Workers Federation.

The Court of Appeal so held when dismissing an appeal by Alfred C. Toepfer, charterers of the Derby, from Mr Justice Hobhouse's judgment (*[1984] 1 Lloyd's Rep 635*) reversing an arbitrator's decision that the shipowners, Tossa Marine, were liable for stevedore costs incurred by the charterers during an off-hire period.

Lines 21 to 25 of the New York Produce Exchange (Nype) form of charterparty provide: "Vessel on her delivery to be ready to receive cargo with clean-swept holds and tight, staunch, strong and in every way fitted for the service, having water ballast, winches and donkey boiler with sufficient steam power, or ... other power sufficient to run all the winches at ... the same time, and with full complement of officers, seamen, engineers and firemen for a vessel of her tonnage ..."

*

LORD JUSTICE KERR said that the Derby was chartered for 11 to 13 months under a time charter in the Nype form. Delivery was to be in Singapore in January 1981.

Line 22 of the printed form of the charterparty provided that the vessel on delivery should be ready "and in every way fitted for the service."

After some months of uneventful trading the charterers order the vessel to load a cargo of logs in West Africa and to discharge them at Leixoes in Portugal.

She berthed at Leixoes on May 23 1981 and discharged normally until May 28.

Then a representative of the International Transport Workers Federation (ITF) approached the local stevedores and perpersuaded them to boycott or black the vessel because the crew's rates of pay or other terms of employment did not meet its requirements.

Instead of boycotting the vessel outright, the stevedores decided to attend every day but to do hardly any work. The effect was that the charterers had to pay them throughout the period of delay while the owners were negotiating with the ITF.

Discharge of the vessel was resumed on June 19. Although under the terms of the charter she had been off-hire for all or most of the period of delay, the charterers had had to pay the stevedoring charges which were wasted and were not covered by the off-hire clause.

The charterers claimed to recover these costs from the owners in arbitration. They asserted that the owners were in breach of the charter because the service had been delayed by ITF intervention.

The arbitrator concluded that the owners were in breach of line 22 "because the ship was not 'in every way fitted for the service' under the expanded meaning of the phrase assigned to it by English law ..."

Mr Justice Hobhouse reversed the arbitrator's decision as to liability.

In the present appeal the issue was whether "in every way fitted for the service" in line 22 imported any warranty on the owners' part that the vessel would be proof against risk of delay by ITF intervention by reason of the crew's rates of pay or other conditions of employment, assuming that the charter party contained no other provision which threw any light on the parties' intention in that regard.

The ITF operated in different parts of the world with the avowed objective of compelling shipowners to adopt pay and conditions of employment in conformity with levels which it regarded as acceptable.

Its standards were generally in line with the rates of pay and conditions applicble to agreements negotiated with seamen's trade unions in "Western" countries.

Vessels which had attracted the attention of the ITF on a previous occasion, with results satisfactory to the ITF, were issued with a "blue card" or "blue certificate" as a kind of ITF pass. But many or most vessels trading throughout the world would never have had occasion to come into contact with the ITF and no question would arise of their carrying a "blue card."

Mr Justice Hobhouse rightly rejected the arbitrator's construction of line 22.

The context in which "in every way fitted for the service" occurred showed that the words related primarily to the physical state of the vessel.

However, the authorities showed that their scope was wider in at least two respects.

First, in *Hong Kong Fir Shipping [1962] 2 QB 26* "she being in every way fitted for ordinary cargo service" in the Baltime form of time charter was treated as forming part of an express warranty that the vessel was seaworthy. It was held that that warranty required the provision of a sufficient and competent crew.

The same reasoning applied to "in every way fitted for the service" in the present case. To that extent therefore the words went beyond the purely physical state of the vessel.

However, there was no basis for any further enlargement of the scope of the words by extracting from them a warranty that rates of pay and conditions of employment must comply with the requirements of a self-appointed extra-legal organisation such as the ITF. The words could not properly bear that meaning.

The second respect in which the scope of the words in line 22 went beyond the physical state of the vessel was that they had been held to cover the requirement that a vessel must carry certain documents which bore upon her seaworthiness or fitness to perform the service for which the charter provided.

The purpose of those documents was to provide evidence for the authorities at the vessel's ports of call on matters which would otherwise require some physical inspection of the vessel, and possibly remedial measures such as fumigation, before the vessel would be accepted as seaworthy.

There was no basis for holding that such certificates could properly be held to include documents other than those which might be required by the law of the vessel's flag or by the law, regulations and administrative practices at the vessel's port of call.

An ITF "blue card" did not fall within that category and there was therefore no reason for including it within the scope of the words in line 22. The words had not acquired any "expanded meaning" as the arbitrator suggested.

Mr Kealey, for the owners, relied on the *Aquacharm [1982] 1 WLR 119* where, as a result of overloading, a vessel was delayed because she had to be lightened. One of the issues was whether in those circumstances she had been "seaworthy" under the Hague Rules when she left her port of loading. It was held that she was.

The decision militated against Mr Gaisman's submission, for the charterers, that *any* foreseeable delay due to any reason relating to the vessel and her crew had the effect of rendering the vessel unseaworthy and imported a breach of line 22.

The *Nema [1982] AC 724* stressed the undesirability of interfering with awards made by commercial arbitrators pursuant to the Arbitrations Act 1979.

Before the court could properly reverse such an award it must be shown that either (i) the arbitrator had misdirected himself in law or (ii) that no reasonable arbitrator could have reached such a decision.

The arbitrator in the present case misdirected himself in law. The appeal should be dismissed.

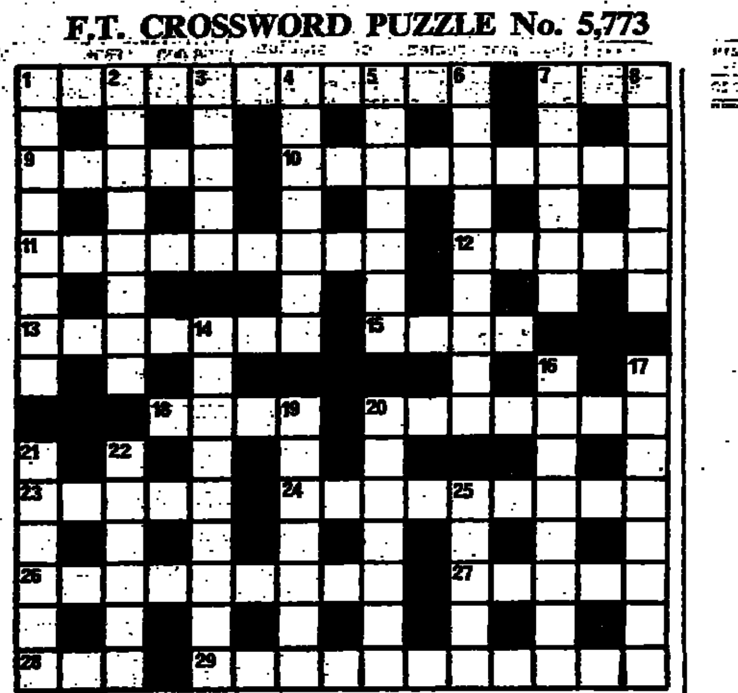
Lord Justice Croom-Johnson and Sir Denys Buckley agreed.

For the owners: Gavin Kealey (Hill Dickinson and Co.).

For the charterers: Jonathan Gaisman (Middleton Potts and Co.).

By Rachel Davies
Barrister

F.T. CROSSWORD PUZZLE No. 5,773



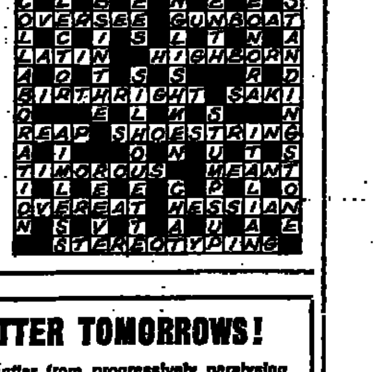
ACROSS

1 The old physician's large animal enclosures (11)
7 Outfit set right with private backing (3)
9 Wash a little sweater in several changes of water (5)
10 Expected to be sought out (6,3)
11 Account for testament being altered (9)
12 "Each Morn a thousand ... brings, you say." Omar Khayyam (5)
13 Obscure egghead cuts another (7)
15 Look both ways (4)
18 Beat hundreds—odd, that (4)
20 Regulations in the East covering a certain drug (7)
23 Pick a colour (5)
24 A band leader well used to wielding the bow (5,4)
26 Taking care no nun appears regularly on TV (9)
27 Grouse mature after the end of spring (5)
28 English soldiers joined up before (3)
29 Considered a child's holding fine nevertheless (4,7)

DOWN

1 Distressed as a herd's broken up (8)
2 Tip pounds into a small vessel (8)
3 The overweight need direction on personal decoration (5)
4 Help for the magistrate about 51 (7)
5 Wet spot having been dealt with, dance (3-4)
6 Those in front rushed to bag a bird (9)
7 Don't agree to amalgamate again (6)
8 Some poor beggar is hectored for glaring (6)
14 Average lot, yet outstanding (9)
16 Going round with a Greek character and indicating a preference for it (8)
17 Capital support for the traveller! (4-4)
19 Country doctor, a fabulous old bird, joining the company (7)
20 The accountant advocates French and that's for show (7)
21 Fiddle, causing embarrassment (6)
22 A get-together that should raise the spirits! (6)
25 One broadcast is to be about the late king, a dark man (5)

Solution to Puzzle No. 5,772



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

[illegible]

CONTINUED OVERLEAF

AUTHORISED UNIT TRUSTS & INSURANCES

Pearl Trust Managers Ltd. (a)(g)
252, High Holborn, WC1V 7EB. 01-405 8441

Pearl Growth Fd	59.3	63.1	+0.1	3.59
Accum Units	87.7	93.3	+0.1	3.59
Pearl Inc	85.0	90.4	−0.1	5.24
Pearl Unit Tst	88.2	93.8	+0.1	4.45
(Accum Units)	149.1	158.6		4.45

Perpetual Unit Trust Mngmt. (a)
48, Hart Street, Henley on Thames. 0491 576868

Growth	176.7	189.0	+1.9	1.53
Income	132.5	141.9	+0.3	5.46
Worldwide Recovery	100.0	107.3	+0.6	2.14
American Growth	56.5	60.6	+0.4	0.68
Intl. Emerging Cos.	56.0	60.1	+0.4	0.79
Far East Growth Fd	46.0	49.4	+0.1	1.00

Prolific Unit Trusts
222, Bishopsgate, EC2. 01-247 7544/7

Prolific Far East	99.7	106.8	+1.0	0.25
Prolific Extra Inc	59.2	63.5	+0.2	6.29
Prolific Gilt Cap.	81.7	85.0		3.24
Prolific High Inc	122.5	131.4	+0.4	5.64
Prolific Intl.	81.6	87.4	+0.6	1.87
Prolific N. Amer	116.5	124.8	+0.2	2.51
Prolific Spec. Sits	130.9	140.4	+0.7	1.70
Prolific Technology	101.0	108.3	+1.1	0.98

Providence Capitol Fd. Mgrs. Ltd.
30 Uxbridge Road, London, W12 8PG. 01-749 9111

Japan Trust	46.9	49.7		0.00
Worldwide	46.9	49.7		1.65
European Trust	47.6	50.4		1.73
North American	49.4	52.3		2.15
UK Equity	48.2	51.1		3.99

Prudential Unit Trust Mngrs Ltd. (a) (b) (c)
51-69, Ilford Hill, Ilford, Essex, IG1 2DL. 01-478 3377

Holborn Equity Tst	306.6	326.1	+0.8	3.90
Holborn Gilt Tst	153.6	160.5	+0.2	8.77
Holborn High Inc	53.6	57.0	+0.2	7.62
Holborn Intl	58.7	62.4	+0.7	0.60
Holborn UK Growth	61.0	64.8		3.83

TSB Unit Trusts (b) (c) (y)
PO Box 3, Keens Hse, Andover, Hants SP10 1PG
0264 62188 Dealings to 0264 63432 3

TSB American	94.3	100.4	+0.4	1.18
Do Accum	97.2	103.4	+0.4	1.18
TSB Extra Income	82.2	87.5		6.56
Do Accum	91.4	97.3	−0.1	6.56
TSB General	112.7	119.8	+0.4	3.51
Do Accum	182.5	194.1	+0.5	3.51
TSB Gilt & Fxd Int	47.8	49.8	−0.1	9.29
Do Accum	57.7	60.2		9.27
TSB Income	155.5	166.5	+0.6	5.27
Do Accum	234.5	149.5	+0.9	5.27
TSB Pacific	101.6	108.1	+1.1	1.08
Do Accum	104.1	110.8	+1.1	1.08
TSB International	223.6	237.9	+1.2	1.91
Do Accum	272.1	289.5	+1.5	1.91
Natural Resources	44.6	47.5	+0.6	2.64
Do Accum	45.0	47.9	+0.5	2.64
TSB Spctal Opps.	44.3	47.2	+0.2	2.75
Do. Accum	47.6	50.7	+0.2	2.25

3i & Target Fund Mgrs Ltd
Target House, Gatehouse Road, Aylesbury, Bucks
Aylesbury (0296) 5941

Small Co's Fund	63.3	67.7		0.10

Target Trust Mngrs. Ltd. (a)(g)
Target Hse, Gatehse. Rd, Aylesbury Bks (0296) 5941

American Eagle	64.2	68.7		0.27
Australia	27.5	29.3	+0.3	0.10
Commodity	89.3	96.0	+0.9	1.80
Energy	40.0	42.8	+0.1	0.82
Equity	93.4	99.6	+0.4	3.98
European Spec. Sits.	49.2	52.6	+0.4	0.95
Extra Income	88.1	94.2	+0.2	7.70
Financial	188.3	200.6	−0.6	3.07
Gilt Capital	218.8	229.1		3.25
Gilt Income	103.8	108.7		8.81
Gold Income	61.6	65.9	+0.7	2.32
Gold Acc	111.3	119.0	+1.3	2.32
Income	56.0	60.3	−0.1	6.23
Japan	43.8	46.6	−0.2	0.10
Malaysia & Singapore	21.9	23.4	+0.1	1.26
Pacific Income	62.5	66.7	+0.3	0.93
Pacific Re Inv	75.7	80.8	+0.3	0.93
Preference Share	15.7	17.0		10.19

Quilter Management Co. Ltd.

INSURANCES

INSURANCE, OVERSEAS & MONEY FUNDS

Arbuthnot Securities (C.I.) Ltd. (a)(c)(h)
P.O. Box 428, St. Helier, Jersey. 0534 76077

Dollar Income Tst (a)	$1.045	1.095xd	+0.001	10.96
Gov't Secs. Tst	75.2	78.7	—	12.72
Yen Bond*	Y201	211	—	5.69
Sterling Fixt	182.0	192.1	—	—
Japan Growth*	207.7	219.3	—	0.45

Next dealing *July 25. †July 24.

Aries Fund Managers Ltd.
PO Box 443, St Helier, Jersey. 0534 75141

Dollar Fund	$10.33	10.41	−0.05	7.13
Sterling Fxd Interest	£9.70	9.75	+0.12	10.16

B.I.A. Bond Investments AG
10, Baarerstrasse CH6301, Zug, Switzerland

Barer Std June 21	SF10.925	11.500	—	—

Julius Baer Bank & Trust Co Ltd
Butterfield House, Grand Cayman

Liquidator J. Baer SFo	SF1.327	1.328	+1	—

Bainford Brandt Guernsey Mngt. Ltd.
PO Box 71, St Peter Port, Guernsey 0481 26541

Tech and Comm	£7.25	7.67	—	—
Pac. Basin Fund	$27.28	28.83	—	—

Bank of America International S.A.
35 Boulevard Royal, Luxembourg GD

Worldinvest Inc	$121.41	122.02	—	8.63

Valued weekly on Wednesdays.

EBC Trust Company (Jersey) Ltd.
1-3 Seale St St Helier, Jersey. 0534-36331.

International Income Fund

US$ Dep Short A	$1.4853	—	−0.0001	9.66
Do Dist	$0.9923xd	—	−0.0001	9.66
Stat.Cur Strl term B	$1.2344	—	+0.0007	8.00
Do. Dist	$0.8967xd	—	+0.0005	8.00
Eurobd.Long Term	$23.62		—	10.80

European Banking Traded Currency Fund*

Income	$10.30	10.629	−0.010	8.26
Capital	$11.37	11.731	−0.011	8.26

*Offer price includes 3% prelim charge

European Banking Currency Income Fund*

Income	$10.00	10.5705	+0.0105	—

*Offer price includes 5% prelim. charge.

The English Association
16 Athol St, Douglas, Isle of Man 0624 20738

E.A. Far East	$10.72	11.34	+0.02	—

Next dealing July 26

Ermitage Management Ltd.
19 Royal Square, St Helier, Jersey, C.I. 0534 76007

External Fund	$19.45	19.64	+0.29	—
Bond & Cash Fd	£9.97	10.02	+0.05	6.82
Cash Fund	£20.29	—	+0.08	—

Ermitage Management Cayman Ltd.
PO Box 2192, Grand Cayman, B.W.I.

Cam Ermitage	$15.67	—	+0.30	—
Cayman Cash Fd	$10.83	—	+0.30	—

Hambros Fd. Mgrs. (C.I.) Ltd.
PO Box 86, Guernsey

C.I. Fund	467.1	497.[illegible]
Special Sits. Fund	179.4	188.[illegible]
Sterling Income Fund	110.0	114.[illegible]
Dollar Income Fund	$1.069	1.11[illegible]
Intnl Bond	$108.71	114.6[illegible]
Int Equity	$25.15	26.4[illegible]
Amer Spec Accts	$1.09	1.1[illegible]
Amer Equity Inc	61.6	64.[illegible]
Savings Fund A	$2.02	2.1[illegible]
Savings Fund B	$2.85	3.0[illegible]
American Growth	$4.93	5.[illegible]

Currency Fund

Sterling Shares	£19.94	19.9[illegible]
U.S. $ Shares	$16.34	16.3[illegible]
DM Shares	DM41.87	41.8[illegible]
Swiss Francs	SF30.60	30.6[illegible]
Yen Shares	Y3.160	3.16[illegible]

Managed Shares

Sterling Shares	£10.46	10.[illegible]
U.S. $ Shares	$15.68	16.3[illegible]

Currency Distributor Fund

Sterling Shares	£10.11	10.72[illegible]
U.S. $ Shares	$15.09	15.10[illegible]
DM Shares	DM40.36	40.37[illegible]
Swiss Franc Shares	SF29.96	29.97[illegible]
Yen Shares	Y3.015	3.01[illegible]

Managed Shares

Sterling shares	£9.61	10.01[illegible]
U.S. $ Shares	$14.52	15.11[illegible]

Hellerup Scandinavian Fund Ltd.
Tyndall House, Douglas, IoM

OFFSHORE AND OVERSEAS

World Fund S.A.
2 Boulevard Royal, Luxembourg

World Fund NAV	$11.43	—	—	—

World Wide Growth Management◆
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$23.3	—	+0.27	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Advanced Tech.	$4.29	—	+0.19	—
Dynamic Gwth Fd.	$8.27	—	+0.05	—

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
The Charities Deposit Fund 77 London Wall, London EC2N 1DB 01-588 1815				
Deposit	12.2	—	—	3-Mth
The Money Market Trust 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fnd	12.34	9.25	13.45	6-mth
7-Day Fnd	12.34	9.15	13.33	6-mth
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	12.32	9.19	13.47	6-Mth
7-day Fund	12.42	9.21	13.59	6-Mth
Dollar	6.52	—	—	6-Mth
Money Mngt. Acct.	11.75	8.78	13.36	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc 22 Charlotte Sq. Edinburgh, EH2 4DF 031-225 8484				
Full Service Cur Acc	12.25	8.75	13.09	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	11.875	8.875	13.70	Qtr
Mth. Int. Chq.	11.75	8.70	13.30	Mth

Bank of Scotland

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ◆ Yield before Jersey tax. † Ex subdivision. ‡‡ Only available to charitable bodies. ◆ Yield column shows annualised rates of NAV increase.

OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	16	Midland Bk.	30
BAT	32	NEI	8
BOC Grp.	25	Nat West Bk.	60
BSR	16	P & O Dfd.	36
BTR	52	Plessey	17
Babcock	14	Polly Peck	26
Barclays	48	Racal Elect.	18
Beecham	32	RHM	11
Blue Circle	45	Rank Org Ord.	32
Boots	15	Reed Intnl	58
Bowaters	20	Sears	8
Brit Aerospace	33	TI	20
Brit. Telecom	11	Tesco	20
Brown (J.)	3	Thorn EMI	35
Burton Ord	39	Trust Houses	13
Cadburys	14	Turner Newall	10
Comm Union	19	Unilever	85
Courtaulds	12½	Vickers	19
Debenhams	17½	**Property**	
Distillers	28	Brit Land	12
Dunlop	6	Cap Counties	18
FNFC	8½	Land Secs	25
Gen Accident	45	MEPC	28
Gen Electric	17	Peachey	22
Glaxo	85	Samuel Props	14
Grand Met	25	**Oils**	
GUS 'A'	60	Brit. Oil & Min.	4
Guardian	68	Brit Petroleum	42
GKN	17	Burmah Oil	16
Hanson Tst.	17½	Charterhall	6
Hawker Sidd.	38	Premier	5
Hse of Fraser	30	Shell	68
ICI	60	Tricentrol	18
'Imps'	18	Ultramar	19
Jaguar	28	**Mines**	
Ladbroke	24		
Legal & Gen	50	Charter Cons	18
Lex Service	28	Cons Gold	44
Lloyds Bank	45	Lonrho	14
Lucas Inds	25		
Marks & Spencer	11	Rio T Zinc	56

A selection of Options traded is given on the London Stock Exchange Report Page.

COMMODITIES AND AGRICULTURE

Tough talking ahead on coffee pact

Andrew Gowers looks at the issues facing the International Coffee Organisation at next week's London meeting

AN OMINOUS number of storm clouds are gathering over the coffee world as producing and consuming countries prepare for a series of crucial meetings between now and the end of September.

Next Monday, the 16 members of the International Coffee Organisation's executive board hold their regular quarterly meeting in London. It looks like being more than a routine session, for several reasons.

The most immediate worry concerns the price of coffee. Producers have been watching with increasing concern over the last few weeks as prices have steadily floated downwards.

The drop has already triggered two im-bag cuts in the International Coffee Agreement's effective 1984/85 total of export quotas, which now stands as 59m bags a result. But these appear to have had little more than a passing impact on the price slide.

The ICO's 15-day moving price is now around 125 cents a pound, perilously close to the 120-cent level which should spark a further quota reduction of 1m bags. Barring possible upsets, such as a frost in Brazil's key coffee producing regions, that cut is only weeks — possibly days — away.

The dilemma facing the producers is: what to do if the price continues to drop below 120 cents. Argument on that question is almost certain to arise next week, and may stir up a whole host of other perennial disputes over the general level of coffee prices and supplies.

The present problem has its roots in the 1983-84 coffee year, when prices soared partly as a result of the small size and poor quality of the Brazilian crop — traditionally responsible for 30 per cent of all world coffee exports.

Consumers maintain that their problems in obtaining adequate supplies of good quality coffee were exacerbated by the tight level of export quotas in that year. The total quota was 56m bags, almost exactly the level of demand.

After that experience, consuming nations were particularly keen, when they set out to negotiate on quota levels for 1984-85 last September, to leave enough leeway to limit the damage from accidents like the previous year's.

"They really wanted to revenge themselves for what happened in 1983-84," said a senior Brazilian diplomat.

The result was an effective quota of 61m bags this year, well in excess of consumption. This is clearly one reason for the recent slide in prices.

If producers wish to prop up prices around 130 cents a pound, te middle of the ICO price range, once the potential danger period for Brazilian frosts is over in August, their only real option is to try to get the Board to agree to a further quota cut. Under the rules of the coffee agreement, only two automatic cuts are allowed in a quarter unless the Board decides otherwise.

However, the idea of implementing an "emergency" reduction is not without its problems. For one thing, despite the slide some consumers—in particular the Europeans, who have to bear the brunt of the strong dollar—are still murmuring that the price of coffee is artificially high given the imbalance between supply and demand.

"For producers, 120 cents a pound is a disaster. But they tend to forget that they have enjoyed a period of very high prices, especially in terms of their own national currencies," said a Western diplomat yesterday.

But in any case, a further export reduction may be extremely difficult to implement at this point in the season.

Perhaps a more serious threat to the agreement in the longer term is the continuing set of disputes over exports of coffee to non-members of the International Coffee Organisation.

These focus on the price at which these sales are made and the fact that not all the exports find their way to or stay in non-member countries in the end.

A number of the heaviest sellers to non-member countries —in particular, Indonesia and the Central American countries — are known to do so at discounts of up to 50 per cent despite repeated reminders that this is against ICA rules.

The practice has continued in the face of increasing impatience both from more law-abiding producers and from Western consumers who are exasperated by seeing countries like the Soviet Union buying coffee at half or two thirds the price they themselves have to pay.

At its last meeting in London, the ICO's governing council resolved that this form of selling should cease from April 22. The net effect of that decision was an apparent frantic rush of cut-price sales in the few days before it took effect. Some countries are believed to have sold almost their entire remaining crop in this way.

Next week's Board meeting will be considering whether to penalise countries which continue to flout the rules with a cut in their quota. A final decision will probably have to wait until September, however, and Indonesia, the biggest offender, has already proclaimed that it has no intention of toeing the line.

The destination of coffee sales to non-members is just as intractable a problem. Following the introduction of a rule in 1983 requiring proof that such exports actually went to the countries ostensibly involved, the ICO has calculated that some 3m bags of coffee destined for non-member countries have simply disappeared.

There are several ways of looking at this coffee. Brazil, for example, argues that much of it is simply sitting in mainly European freeports waiting to be sold, and adding to an already large overhang of stocks. For the Brazilians, this becomes merely another argument for the eventual reduction of quotas.

Some consumers, however, believe that a substantial proportion of it never gets to non-members at all, but trickles from ports like Hamburg, Rotterdam and Trieste back into member markets — making a small fortune for German, Dutch and Italian traders on the way.

Sanction for this practice are also on the cards — but given opposition by the governments of Germany, the Netherlands and Italy as well as those of the big exporters to non-members, it may be difficult to implement them.

But these disputes are probably trivial compared with the royal row which is certain to develop at the Board and Council meetings in London next September over the size of the 1985/86 export quota and its allocation between producing members.

Several producers are pushing increasingly hard for higher quotas, and the key producer, Brazil, is insistent on the need for more discipline in the face of a weakening market. Some consumers, meanwhile, are becoming increasingly jaundiced with the coffee agreement,

The U.S., for one, has for the second time threatened to "reassess its position" on the agreement this year unless the producers put their house in order.

U.S. farm support body runs out of cash

By Nancy Dunne

BUSINESS HAS come to a halt at the Commodity Credit Corporation, which makes loans and price support payments to U.S. farmers.

The U.S. Department of Agriculture said it has been a particularly expensive six months and the CCC has exhausted its $25bn borrowing authority. This year, thus far, it has mailed out $17bn in checks for programmes which include 1984 grains-subsidies and early 1985 payments for farmers enrolled in the department's acreage reduction schemes.

Until Congress passes legislation granting supplementary budget authority of about $3.9bn, the CCC can make no crop insurance payments or loans or buy up surplus dairly products to maintain the dairy support programme, the department said.

Bills granting the CCC the money it needs have passed both houses, but they must still receive conference committee approval. A conference committee meeting has not yet been scheduled.

THE PHILIPPINES may increase sugar output beyond the 1.6m tonne production ceiling set in May in order to produce ethanol, according to Mr Roberto Ongpin, the Trade and Industry Minister.

The domestic ethanol would replace tetra ethyl lead, a chemical additive used in petrol, which the Philippines now imports at an annual cost of 90m pesos (£3.6m), he said.

Excess ethanol would also be exported, he added.

Mr Ongpin said the government plans to set up 20 to 25 distilleries to process sugar cane into ethanol at an estimated cost of $150m.

ZIMBABWE'S sugar exports rose to a net 50,000 tonnes in the first quarter of this year from just over 8,500 in the same period of last year, statistics published by the International Sugar Organisation (ISO) show.

Net exports came after imports of 7,500 tonnes from Malawi in the three month period.

Vegetable oil trade shrugs off Brazilian soya export 'stunt'

BY JOHN BUCKLEY

EUROPEAN VEGETABLE oil traders are playing down Wednesday's Brazilian decision to halt soya export registrations, describing it as a "stunt" to shore up prices. Dutch soya bean oil, the European benchmark, was offered quietly yesterday around Fl 181-182 per 100 kilogrammes, much in line with levels ruling earlier in the week.

Merchants say there is nothing to stop Brazilian dealers continuing to fix soya export deals assuming licences will be resumed in the near future. Consumers, many of whom are well covered, have understandably backed off and are only "slightly surprised" at what they see as another attempt to coerce them into paying more.

The Philippines, the world's largest coconut oil supplier appeared to be trying a similar manoeuvre last week when it was reported to be blocking export registrations to the U.S., its main customer, at prices under 23 cents a pound. Anxious dealers switched to palm kernel oil, driving that market from $455 to $505 only to find the U.S. contracts honoured and the price dropping back to the $470s.

Thus many traders feel the Brazilians are simply trying to get the best deal they can for what soya they have left to sell (registrations are approaching target) before the full impact of large world vegetable oil crops breaks over the market from August-September onwards.

In response to this scenario some big importers are already flexing their muscles. Pakistan for example yesterday bought Indonesian palm oil at under $480 per tonne much to the annoyance of the Malaysians who had cut their official FOB quotations by $20-30 to $485.

Although the U.S. and EEC oilseed crops will now provide an increasing focus for sentiment many traders say this Far Eastern tug of war will ultimately decide price direction.

Soviet Union takes hard line on cocoa agreement

BY OUR COMMODITIES STAFF

PRODUCERS AND consumers of cocoa were last night involved in an elaborate game of shadow-boxing over negotiations on a new International Cocoa Agreement and the possibility of extending the present pact for another year.

As a meeting of the International Cocoa Organisation's governing council in London neared its end, some consumer delegates cast doubt on the prospects for a new full round of talks to set up a new agreement.

And delegates were finding it difficult even to agree on an extension of the present pact, which is due to expire in September.

Consumer delegates pressed producers to agree a statement effectively linking the extension of the current pact, which has no power to intervene in the market, with a recognition that prices in any effective new agreement would have to be substantially lower than the current range of 106 to 146 cents a pound.

The last round of talks on a new pact broke down in Geneva in March amid continuing differences between producers and consumers over price and other issues.

One surprise of this month's meeting has been the particularly hard line taken by the Soviet Union. Moscow has been seeking arrangements for the refund of its contribution to the ICCO in the event that the buffer stock were liquidated, and threatened not to agree to an extension.

China aims to quadruple feed output

PEKING—China plans to raise animal feed production capacity to 50m tonnes by 1990 and 120m tonnes by the year 2000, the New China News Agency said yesterday.

The agency said 12m tonnes of mixed and compound animal feed were produced last year, up from 8m in 1983.

The agency said China will invest about 1.5byuan (£380m) in the animal feed industry in the five-year plan period 1986-1990. Plans include the building of between 30 and 40 plants for the premixing of concentrated feed an dadditives.

Western agricultural analysts here said the plans are feasible.

The analysts said the rise in output last year and the expected increase this year are due partially to the start-up of imported mills for which contracts were signed in 1982-83.

The agency quoted a spokesman for the State Economic Commission as saying it is necessary to import advanced equipment and technology and to start joint-venture feed-processing enterprises with foreign firms.

A confidential World Bank report on China said shortages of the coarse grains needed for animal feeds could occur with expected rapid growth in China's animal numbers and the increasing production of specific crops.

"Feed grain imports could make up any conceivable shortages, probably without any appreciable increase in world prices," the report said. Reuter

Jamaican bauxite yield cut

BY CANUTE JAMES IN KINGSTON

JAMAICA'S BAUXITE output in the first half of this year was 41 per cent below the corresponding period of 1984, according to the Jamaica Bauxite Institute, a government agency which monitors the industry.

The institute reported mining over the six month period yielded 3.105m tonnes of ore. It said the fall reflected the closure of mining and shipping operations last year by a subsidiary of the Reynolds Metals Company of the U.S., and an end to shipments purchased by the U.S. Government for its strategic mineral stockpile.

Exports of alumina (refined bauxite) fell by 14 per cent, a decline attributed by the Institute to the closure in February of an 800,000 tonne refinery owned by the Aluminium company of America.

LONDON MARKETS

A WAVE of speculative and trade selling pushed coffee prices sharply lower on the London futures market yesterday and the September position ended the day £54.50 down at £1,576.50 a tonne, slightly up from a 25-month low reached during the day.

There were reports of some selling of physical coffee by producers who had been holding off the market in the hope of a price recovery following the recent slide.

On the London Metal Exchange zinc prices resumed the rally, which was interrupted on Wednesday. The cash position ended £15.50 higher at £543 a tonne, £29.50 up on the week so far.

The LME was generally quiet with tin prices gaining some ground on the fall in sterling and early gains in aluminium being erased by later profit-taking.

ALUMINIUM

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	734-5	—	—
3 months	756.7	+0.75	778/756

Official closing (am): Cash 735.5-6.5 (734-5), three months 757-8 (755-.5), settlement 736.5 (735). Final Kerb close: 757-8. Turnover 16,125 tonnes.

COPPER

Higher grade	Unofficial close	+ or —	High/Low
Cash	1058.5-1.5	+3.25	1048/1047.5
Three m'nths	1058.5-7	+4.0	1081/1048

Official closing (am): Cash 1,049.5 (1,040.1), three months 1,053-4 (1,046.5-6), settlement 1,049.5 (1,041). Final Closing Kerb: 1,058-.5.

Cathodes			
Cash	1017-20	+4.5	—
Three m'nths	1037-40	+4.5	—

Official closing (am): Cash 1,020-3 (1,010-2), three months 1,037-9 (1,029-30), settlement 1,023 (1,012). Turnover 16,425 tonnes. U.S. Producer prices 68.00-70.50 cents per pound.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	293-3	+7.5	288/289
3 months	298.5-9	+5.0	299/292

Official closing (am): Cash 286.5-9 (282-.5), three months 295-.5 (289-.5), settlement 289 (282.5). Final Kerb close: 298-.5. Turnover 9,925 tonnes. U.S. Spot: 19.50-21.00 cents per pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	3650-60	+65.0	3660/3615
3 months	3690-5	+60.0	3700/3655

Official closing (am) Cash 3,615-20 (3,541-2), three months 3,655-8 (3,595-600), settlement 3,620 (3,542). Final Kerb close: 3,690-700. Turnover 714 tonnes.

ZINC

	Unofficial close (p.m.) £ per tonne	+ or —	High/low
Cash	541-5	+15.5	—
3 months	526 7	+11.0	529/517

Official closing (am) Cash 540-1 (527-33), three months 528-9 (512-3), settlement 541 (533). Final Kerb close: 522.5-3.5. Turnover 6,525 tonnes. U.S. Prime Western: 41.55-44.50.

MAIN PRICE CHANGES

In tonnes unless otherwise stated.

METALS	July 18 1985	+ or —	Month ago
Aluminium	£1100		£1100
Free Mkt	$1060.90	+20	$1060/080
Copper			
Cash h Grade	£1051	+3.25	£1124.5
3 mths	£1056.75	+4.0	£1137.5
Gold troy oz	$325.75	+5	$318.5
Lead Cash	£292.5	+7.5	£306.5
3 mths	£298.75	+5.0	£306.5
Nickel			
Free Mkt	250/260c		258 280c
Palladium oz	$94.25	−1.50	$99.00
Platinum oz	$271.25	−4.85	$270.5
Quicksilver†	$285/255		$285/295
Silver troy oz	439.05p	−1.50	484.50p
3 mths	451.50p	+2.15	498.50p
Tin cash	£9101	+45	£9685
3 mths	£9090.5	−38	£9475
Tungsten	$67.49	−5.26	$73.74
Wolfram 22 04lb	$58/62		$56/60
Zinc	£543.0	+15.5	£563.5
3 mths	£526.5	+11.9	£562.5
Producers	$880		$880

OILS	July 18 1985	+ or —	Month ago
Coconut (Phil)	$540z		
Palm Malayan	$485u		
SEEDS			
Copra Phil	$335z		$370
Soyabean (U.S.)	$231.85w	+8.05	$235
GRAINS			
Barley Fut. Nov.	£101.4	+0.55	£97.05
Maize	£141.00z		£146.50
Wheat Fut. Nov.	£101.6	+0.2	£97.90
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept.	£1663.5	−13.5	£1735.5
Coffee Ft. Sept.	£1576.5	−54.5	£2058.5
Cotton A Index	60.90c	−0.1	62.70c
Gas Oil Sept.	$217.5	+0.75	$212
Rubber (kilo)	65p		67p
Sugar (raw)	$89.5zw	+4	$85.5
Wooltops 64s	438pkilo	−2	457pkilo

‡ Unquoted. u Aug. x Aug-Sept. w Sept. z July-Aug. † Per 76 lb flask. c Cents per pound.

TIN

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/low for day
Cash	9110-20	+57.5	9075/9070
3 months	9100-5	+47.0	—

Official c losing (am): Cash 9,070-5 (9,060-1), three months 9,050-5 (9,052-5), settlement 9,075 (9,061).

Standard			
Cash	9100-2	+45.0	9075/9085
3 months	9090-1	+55.0	9085/9050

Official closing (am): Cash 9,070-2 (9,063-5), three months 9,050-1 (9,050-1), settlement 9,072 (9,055). Final Kerb close: 9,080-90. Turnover 1,470 tonnes. Straits tin $M30.75 (30.75) kilo.

GOLD

Gold fell $5½ to $320-$320½ on the London bullion market yesterday. It opened at $323½-$323 and was fixed at $322¼ in the morning and $320 in the afternoon. The metal touched a peak of $324-$324¼, but fell to a low of $318¾-$319¾ in the afternoon, as the dollar moved up sharply on the foreign exchanges.

GOLD BULLION (fine ounce) July 18

Close	$320-320½	(£227½-228)
Opening	$322½-323	(£228-228½)
M'n'g fix.	$322.25	(£227.513)
Aft'n'n fix.	$320.00	(£227.275)

GOLD AND PLATINUM COINS

Kr'g'r'nd.	$328¾-329½	(£233¾-234¼)
½ Krug.	$170-170¾	(£120¾-121¼)
¼ Krug.	$86½-87¼	(£61½-62)
1/10 Krug.	$35 35¾	(£25-25½)
Mapleleaf	$330¾-331½	(£235-235¾)
New Sov.	$75¾-76½	(£53¾-54¼)
½New Sov	$45¼ 46	(£32¼-32¾)
Old Sov.	$76-77½	(£54-55¼)
$20 Eagle	$460 500	(£327-355½)
Noble Plat	$281½-284¾	(£199½-201¾)

SILVER

SILVER per troy	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	439.05p	−1.58	436.5p	−5.75
3 months	451.05p	−2.15	449.0p	−6.1
6 months	465.75p	−2.70	—	—
12 months	485.75p	−3.10	—	—

LME—Turnover: 15 (90) lots of 10,000 oz.

Cash high/low 436.5; three months high 451, low 449.

GRAINS

The market was very quiet with wheat losing 20p early in the day before rallying on speculative buying to close at day's highs. Barley lacked sellers and advanced fairly steadily in light trading, reports Muirpace.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterdys close	+ or —
Sept.	98.10	−0.68	97.85	+0.50
Nov.	101.60	+0.28	101.40	+0.55
Jan.	105.35	−0.18	105.30	+0.70
Mar.	108.60	+0.66	108.50	+0.78
May	112.00	—	111.40	+0.80

Business done—Wheat: Sept 98.05-7.60, Nov 101.60-1.40, Jan 105.25-5.20, March 108.75-8.50, May 112.00 only. Sales: 182 lots of 100 tonnes. Barley: Sept 97.85-7.35, Nov 101.40-0.85, Jan 105.20-5.10, March 108.30-8.05, May untraded. Sales: 44 lots of 100 tonnes.

LONDON GRAINS — Wheat: U.S. Dark Northern Spring No. 1, 15 per cent: Aug 121.25, Sept 120.50, Oct 122.75, Nov 125 ,sellers, transhipment East Coast. U.S. No. 2 Soft Red Winter: Aug 108.25, Sept 109, Oct 111, Nov 113, sellers. EEC July 116, seller. English feed, fob: Oct/Dec 103.75, Dec 105.75, East Coast. Maize: U.S. No. 3 Yellow/French transhipment East Coast: July/Aug 141, sellers. Rest unquoted.

HGCA — Locational ex-farm spot prices. Feed Barley: S. East 91.0; S. West 90.00; W. Midlands 90.90. The UK monetary coefficient for the week beginning Monday, July 22 will begin unchanged.

COCOA

Following a quiet opening at levels virtually unchanged to the previous evening, futures traded in a narrow range through to a close at the lows of the day, reports Gill and Duffus.

COCOA	Yesterday's Close £ per tonne	+ or —	Business Done
July	1702-1704	−6.0	1722-1705
Sept.	1663-1664	−13.5	1696-1658
Dec.	1661-1662	−6.0	1675-1656
Mar.	1671-1672	−5.0	1694-1669
May	1685 1687	−2.0	1696-1685
July	1699-1704	−4.0	1709-1699
Sept.	1709-1719	−2.0	1711-1718

Sales: 3,016 (2,550) lots of 10 tonnes.

ICCO indicator prices (U.S. cents per pound). Daily price for July 17: 100.83 (89.67); five-day average for July 18: 100.35 (100.52).

COTTON

LIVERPOOL—No spot or shipment sales were recorded. Slow trading reported in specialist growths.

COFFEE

A quiet opening saw marginal losses reflecting a slightly weaker NY close and steadier sterling, reports Drexel, Burnham, Lambert. Despite a sharp decline in sterling during the afternoon prices fell on commission house selling to fresh contract lows across the board.

COFFEE	Yesterd'ys Close	+ or —	Business Done
July	1544-1546	−43.0	1595-1546
Sep	1576 1577	−54.5	1637-1570
Nov.	1610-1615	−59.0	1680-1615
Jan.	1658 1660	−56.5	1722-1765
March	1695 1700	−46.0	1744-1795
May	1736 1740	−36.0	1780-1750
Jul	1750-1765	−27.0	1805

Sales: 5022 (3769) lots of 5 tonnes. ICO indicator prices (U.S. cents per pound) for July 17: Comp. daily 1979 120.30 (120.31); 15-day average 125.33 (125.89).

INDICES

FINANCIAL TIMES

July 17	July 16	M'th ago	Year ago
267.05	267.46	281.72	302.96

(Base: July 1 1952 = 100)

REUTERS

July 18	July 17	M'th ago	Year ago
1673.5	1677.5	1794.1	1892.8

(Base: September 18 1931 = 100)

DOW JONES

Dow Jones	July 16	July 15	Month ago	Year ago
Spot	116.75	116.97	—	131.39
Fut.	117.53	117.17	—	127.98

(Base: December 31 1974 = 100)

SUGAR

LONDON DAILY PRICE—Raw sugar $89.50 (£63.00), up $3.50 (up £2.00) a tonne for July-Aug-Sept delivery. White sugar $138.50, up $2.00.

Rumours of a block deal of 260,000 tons from Brazil to Cuba stimulated a further rise. However, the charts showed heavy resistance between $99-101 basis October which arrested the initial advance.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug.	94.4-94.8	92.8-92.4	94.8-92.4
Oct.	98.8-99.4	95.6-96.0	99.6-98.4
Dec.	101.0-101.6	98.4-99.0	102.6-99.8
Mar.	110.0-110.6	107.4-107.6	111.2-108.0
May	113.6-114.4	111.0-111.4	114.4-112.4
Aug.	117.8-118.0	114.9-115.6	117.6-115.8
Oct.	122.0-122.6	119.2-118.6	121.6-120.0

Sales: 3,658 (2,345) lots of 50 tonnes.

Tate & Lyle delivery price for granulated basis sugar was £165.00 (£162.00) a tonne for export.

International Sugar Agreement — (U.S. cents per pound fob and stowed Caribbean ports). Prices for July 17: Daily price 2.98 (2.84); 15-day average 2.76 (2.75).

SOYABEAN MEAL

The market opened unchanged, reports T. G. Roddick. Follow through Comission House selling eased market to 50p down on opening levels.

	Yesterday close £ per tonne	+ or —	Business Done
August	124.00-27.0	+3.0	—
October	112.0-12.50	−8.35	12.50-12.00
Dec.	117.5-17.50	−8.50	18.00-17.50
Feb.	125.0-23.50	—	24.00-24.00
Apr.	124.0-25.00	—	—
June	124.0-26.50	−0.50	—
August	124.5-26.50	−1.50	—

RUBBER

The London physical market opened steadier, with little interest throughout the day and closed on a quiet note, reports Lewis and Peat. Closing prices (buyers): spot 65.00p (same); Aug 61.00p (61.50p); Sept 60.50p (61.00p). The Kuala Lumpur fob price for Rss No. 1 was 193.5 (194.5) cents a kg and for SMR 20 was 182.0 (183.0).

OIL

Brent prices firmed 20-25c on heavy buying by one trader, mainly for August and November delivery, but eased towards the close. Nymex opened 4c up for August and traded 2c up at 1 pm EST. Of the refined products gas oil continued firm in both North West Europe and the Mediterranean on continental demand attracted by the weak dollar. Heavy fuel talk in Northern Europe was stable but increased demand was reported in the Mediterranean—Petroleum Argus London.

SPOT PRICES

	Latest	Ch'ng + or —
CRUDE OIL—FOB ($ per barrel)— Aug.		
Arab Light	27.00-27.10	+0.10
Arab Heavy	24.90-25.00	—
Dubai	25.50-25.65	−0.05
Brent Blend	26.50-26.60	+0.175
W.T.I. (1pm est)	28.45-28.55	+0.05
Forcados (Nigeria)	*26.65-26.75	—
Urals (cif NWE)	*26.50-26.60	+0.175
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	265-267	−1
Gas Oil	220-221.5	+0.75
Heavy fuel oil	129-131	−1
Naphtha	264-267	+1.5

*July

Petroleum Argus estimates

GAS OIL FUTURES

Month	Yest'day's Close $ U.S. per tonne	+ or —	Business Done
Aug	218.75	+0.75	219.25-18.25
Sep	217.50	+0.75	218.00-16.50
Oct	219.00	+0.50	219.25-18.75
Nov	221.00	+1.25	221
Dec	222.75	+0.75	222.75-22.00
Jan	222.50	+0.18	—

Turnover: 881 (880) lots of 100 tonnes.

POTATOES

A firmer Dutch market due to dry conditions in the southern growing areas, plus persistent blight scare rumours in the UK led to stronger trading conditions in London. All positions opened higher, improved during the morning session and dipped slightly in the afternoon, reports Coley and Harper.

Month	Yesterday's close £ per tonne	Previous close	Business Done
Nov.	56.40	55.00	55.00-55.50
Feb.	65.00	63.50	—
Apr.	75.40	74.30	75.80-74.90
May	81.90	80.40	82.00-81.50

Sales: 269 (204) lots of 40 tonnes.

PIGMEAT

Long holders of the spot August appeared more willing sellers towards the close, with shorts happy to cover at the slightly lower levels, reports CCST Commodities.

Month	Yesterdays close p. per kilo (deadweight)	Previous close	Business done
Aug.	106.90	108.00	107.50-106.8
Oct.	106.50	106.70	106.60-106.4
Nov.	106.70	106.80	106.70
Feb.	98.60	98.80	—
April	99.00	99.50	—
June	97.60	98.50	—

Sales: 95 (72) lots of 50 carcases, 3,250 kg.

FREIGHT FUTURES

Levels eased over the morning session, against a background of a lower Gulf/Japan fixture. However, the market ran into short covering throughout the afternoon, basis October, which took 1985 positions above Wednesday's close, but January and April 1986 were left behind, reports Clarkson Wolff. The baltic freight index was 783.5, down 6.0.

	Close	High/Low	Prev.
July	767/769.5	770/765	774/775
Oct.	856/867	867/849	854/858
Jan.	895/898	895	906/910
April	939/950	—	950/955
July	870/898	—	895/900
Oct.	955/1015	—	950/1010
Jan.	960/1010	—	950/1015
April	1000/1050	—	960/1000

Turnover: 100 (108).

U.S. MARKETS

PRECIOUS METALS came under pressure reflecting renewed strength to the dollar while tension in South Africa tended to provide underlying support reports Heinold Commodity. Copper and aluminium declined in sympathy with precious metals but copper did attract scale down support on indications demand might be peaking. Sugar continued to rally on more favourable technical indications along with continuing concern over the availability of nearby supplies. Burdensome supplies continued to keep pressure on coffee values. Cocoa weakened on the lack of physical inquiry and favourable weather. Cotton remained basically steady as trade support continued to emerge. Heating oil lost ground as the uncertainty of the OPEC meeting continues to haunt the market. Evening up of positions in the face of a strong spot market and weaker forwards deliveries has been the principal activity. Grains and soyabeans came under moderate pressure because of the perception that weather conditions will be basically favourable. Nearby maize was very strong because of tight spot supplies and recorded one of the best advances of the year.

NEW YORK

ALUMINIUM 40,000 lbs, cents/lb

	Close	High	Low	Prev
July	45.80	—	—	46.50
Aug	46.00	—	—	46.70
Sept	46.30	46.90	46.15	47.00
Dec	47.30	47.80	47.15	48.00
Jan	47.60	—	—	48.30
March	48.30	—	—	49.00
May	49.00	—	—	49.70
July	49.70	—	—	50.40
Sept	50.40	—	—	51.10
Jan	51.80	—	—	52.50

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
Sept	2070	2105	2063	2093
Dec	2100	2140	2094	2131
March	2120	2160	2115	2150
May	2142	2171	2171	2167
Sept	2225	—	—	2191

COFFEE "C" 37,000 lbs, cents/lb

	Close	High	Low	Prev
July	134.05	134.50	133.50	134.50
Sept	135.66	136.00	134.87	136.30
Dec	137.38	138.20	136.90	138.22
March	138.00	138.90	137.56	139.08
May	138.63	138.60	138.10	139.35
July	138.40	138.60	138.45	138.90
Sept	139.13	—	—	138.65
Dec	139.48	—	—	139.00

COPPER 25,000 lbs, cents/lb

	Close	High	Low	Prev
July	61.95	61.95	61.65	62.35
Aug	62.05	—	—	62.50
Sept	62.50	62.55	62.05	62.95
Dec	63.70	63.80	63.20	64.05
Jan	64.05	—	—	64.40
March	64.70	64.65	64.35	65.10
May	65.20	66.10	64.90	65.60
July	65.70	65.55	65.36	66.10
Sept	66.15	66.00	65.95	66.60
Dec	66.50	66.80	66.80	67.30

COTTON 50,000 lbs, cents/lb

	Close	High	Low	Prev
Oct	60.77	61.10	60.55	60.84
Dec	61.15	61.38	60.80	61.25
March	61.70	61.85	61.55	61.75
May	61.60	61.78	61.50	61.73
July	61.23	61.25	61.00	61.12
Oct	56.90	57.20	56.90	57.00
Dec	56.08	56.25	56.90	56.25

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrel

	Close	High	Low	Prev
August	27.50	27.64	27.48	27.48
Sept	26.64	26.77	26.60	26.57
Oct	26.01	26.02	25.93	25.90
Nov	25.59	25.69	25.54	25.49
Dec	25.27	25.40	25.22	25.18
Jan	25.05	25.10	24.96	24.91
Feb	24.65	24.75	24.65	24.68
March	24.40	24.40	24.35	24.41
April	24.08	24.15	24.08	24.18
May	23.98	23.95	23.90	23.91

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
July	318.2	—	—	323.3
Aug	318.8	324.8	318.5	324.0
Sept	320.6	—	—	325.8
Oct	322.4	328.7	322.0	327.7
Dec	326.4	332.5	326.0	331.7
Feb	330.6	335.9	331.0	335.9
April	334.8	338.5	336.2	340.1
June	339.3	341.0	341.0	344.6
Aug	344.0	349.0	344.0	349.3
Oct	349.0	349.0	349.0	354.3
Dec	354.2	—	—	359.3
Feb	359.6	—	—	364.7
April	365.0	370.0	370.0	370.1

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
August	68.90	69.40	68.60	68.77
Sept	69.90	70.00	69.10	69.42
Oct	69.95	70.45	69.51	69.88
Nov	70.45	70.95	70.35	70.54
Dec	71.25	71.75	71.20	71.18
Jan	71.70	72.25	71.60	71.55
Feb	71.50	71.80	71.00	71.25
March	68.80	68.80	68.80	68.90

ORANGE JUICE 15,000 lbs, cents/lb

	Close	High	Low	Prev
July	139.75	140.00	139.25	139.20
Sept	134.25	136.50	134.10	135.00
Nov	131.90	133.00	131.80	132.50
Jan	130.05	130.90	130.00	130.25
March	129.75	130.00	129.50	130.00
May	129.60	—	—	130.20
July	129.60	—	—	130.20
Sept	129.60	—	—	130.20
Nov	129.60	—	—	130.20

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
July	271.5	277.0	273.5	277.7
Aug	—	—	—	258.2
Oct	271.5	278.5	271.0	277.7
Jan	276.1	282.5	276.0	282.3
April	281.0	288.0	282.7	287.2
July	286.3	294.0	291.0	292.5

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
July	611.5	624.0	611.0	623.5
Aug	613.3	—	—	625.3
Sept	617.5	631.0	616.0	629.5
Dec	629.8	643.0	628.0	641.8
Jan	634.2	645.0	645.0	646.2
March	642.7	654.0	644.0	654.6
May	651.4	664.0	652.0	663.5
July	660.9	—	—	673.2
Sept	670.9	677.0	671.0	683.5
Dec	686.1	—	—	699.0

SUGAR WORLD "11" 112,000 lbs, cents/lb

	Close	High	Low	Prev
Sept	3.26	3.29	3.08	3.08
Oct	3.38	3.40	3.21	3.24
Jan	3.56	3.60	3.40	3.39
March	3.89	3.94	3.75	3.74
May	4.06	4.10	3.95	3.90
July	4.24	4.31	4.12	4.09
Sept	4.25	—	—	4.17
Oct	4.42	4.48	4.36	4.32

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	High	Low	Prev
August	56.52	56.27	55.46	56.05
Oct	57.65	58.17	57.65	57.90
Dec	59.70	60.07	59.52	59.82
Feb	60.57	60.85	60.30	60.70
April	61.35	61.75	61.30	61.50
June	61.92	62.15	61.92	62.05

LIVE HOGS 30,000 lbs, cents/lb

	Close	High	Low	Prev
July	48.82	49.30	48.72	49.17
Aug	46.82	47.32	46.76	47.17
Oct	42.57	43.10	42.55	42.72
Dec	44.47	44.75	44.37	44.56
Feb	45.47	46.00	45.45	45.60
April	43.40	43.80	43.07	43.37
June	45.60	45.95	45.50	45.60
July	46.00	46.00	45.90	46.15
Aug	45.80	45.80	45.80	45.80

MAIZE 5,000 bu min, cents/56lb-bushel

	Close	High	Low	Prev
July	281.2	281.4	277.0	276.6
Sept	251.0	252.0	248.5	250.6
Dec	239.2	241.4	239.0	241.2
March	246.2	248.4	246.2	248.2
May	250.4	252.4	250.4	252.2
July	250.4	252.4	250.4	251.6
Sept	234.4	238.0	234.0	234.4

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
July	54.77	55.90	54.77	55.50
Aug	54.45	55.85	54.37	55.30
Feb	6.92	66.40	65.60	66.40
March	65.50	66.00	65.00	66.40
May	66.30	66.90	66.00	66.65
July	66.85	67.20	66.75	66.25
Aug	65.50	66.00	65.50	66.40

SOYABEANS 5,000 bu min, cents/60lb-bushel

	Close	High	Low	Prev
July	562.6	564.4	559.2	562.6
August	558.4	563.0	558.0	560.6
Sept	558.2	561.0	554.0	561.4
Nov	561.0	566.4	557.0	566.2
Jan	571.0	575.0	566.0	575.4
March	581.4	586.0	577.0	586.4
May	588.0	592.0	586.0	592.4
July	588.6	592.0	587.0	592.4
August	582.4	585.0	582.0	587.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
July	126.0	128.5	124.0	127.2
August	125.5	127.5	124.6	128.1
Sept	127.9	130.2	127.1	130.8
Oct	130.8	132.7	129.8	133.2
Dec	135.9	137.8	134.5	138.4
Jan	138.3	140.5	137.0	141.5
March	141.5	146.0	141.0	145.0
May	145.0	147.0	144.0	149.7
July	148.6	152.5	148.5	153.5

SOYABEAN OIL 60,000 lb cents/lb

	Close	High	Low	Prev
July	28.62	28.86	28.35	28.48
August	27.47	27.69	27.22	27.34
Sept	26.83	26.85	26.50	26.58
Oct	26.07	26.23	25.90	25.99
Dec	25.42	25.65	25.27	25.40
Jan	25.00	25.30	25.00	25.05
March	24.95	25.05	24.80	24.95
May	24.75	24.85	24.85	24.90
July	24.37	24.45	24.37	24.41
August	24.23	24.25	24.23	24.27

WHEAT 5,000 bu min, cents/60 lb bushel

	Close	High	Low	Prev
July	299.4	302.0	298.6	302.0
Sept	306.2	308.6	306.0	307.4
Dec	314.0	317.0	312.6	314.2
March	314.0	316.4	313.2	314.6
May	304.2	306.2	302.4	303.4
July	284.4	285.2	282.2	282.2

SPOT PRICES—Chicago loose lard 16.00 (same) cents per pound. New York tin 587.0-90.0 (589.0-92.0) cents per pound. Handy and Harman silver bullion 614.0 (625.5) cents per troy ounce.

OTHER MARKETS

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 96.46p per kg lw (−1.24). GB—Sheep 153.05p per kg est dcw (−1.10). GB—Pigs 75.17p per kg lw (+0.60).

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 78.0-81.0; English hindquarters 90.0-94.0; forequarters 53.0-57.0; Ulster hindquarters 88.5-91.0. Veal: Dutch hinds and ends 141.0-146.0. Lamb: English small 66.0-72.0, medium 64.0-70.0; heavy 62.0-64.0; Scotch heavy 62.0-64.0; Imported: New Zealand PL 65.0-66.0, PX 64.5-65.0. Pork: English under 100 lb 49.0-57.0, 100-120 lb 49.0-53.5; 120-160 lb 42.0-

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 565.0, 585.0, 600.0-585.0; Oct 608.0, 614.0, 611.0-610.0; Dec 611.0, 615.0, 616.0-615.0; Mar 620.0, 622.0, 624.0-622.0; May 626.0, 637.0, 630.0; July 630.0, 645.0, nil; Oct 620.0, 638.0, nil; Dec 624.0, 637.0, nil. Sales: 39.

PARIS

SUGAR—(FFr per tonne): Oct 1162-1169, Dec 1167-1175, March 1190-1195, May 1205-1215, Aug 1235-1245, Oct 1255-1285.

COCOA—(FFr per 100 kg): July 2150 asked, Sept 2006-2008, Dec 1991-March 2008-2010, May 2020 bid, July 2025 bid, Sept 2030 bid.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Sudden recovery by dollar

The dollar rose sharply in very confused late European trading. Around lunch time it fell suddenly following a downward revision in second quarter U.S. gross national product growth to 1.7 per cent from the earlier *flash estimate of 3.1 per cent.* Market forecasts for the revision were generally in a range of 2-2½ per cent; but sentiment improved later after Mr Malcolm Baldridge, U.S. Commerce Secretary, said he expects the economy to grow by an annual rate of 4 per cent in the second half. On the other hand Mr Baldridge suggested he would like to see the value of the dollar drop by 25 per cent over the next year orso. This tended to conflict with the statement made by Mr Paul Volcker, chairman of the Federal Reserve Board, when he told a Senate banking committee that a sustained *dollar decline* would hurt the U.S.

The dollar rose to DM 2.8720 from DM 2.8375; FFr 8.7125 from FFr 8.61; SwFr 2.3875 from SwFr 2.3335; and Y238.20 from Y236.45.

On Bank of England figures the dollar's index rose to 137.8 form 136.7.

STERLING — Trading range against the dollar in 1985 is 1.4125 to 1.0525. June average 1.2813. Exchange rate index rose 0.1 to 83.9. It opened unchanged throughout most of the morning, at 83.8, and remained steady before touching a peak of 84.1 in the afternoon, shortly after the revised U.S. GNP figure.

Sterling lost ground to the suddenly stronger dollar, but remained firm against other major currencies, as the Bank of England continued to reject any immediate fall in London interest rates. The pound touched a peak of $1.4240 around lunchtime in early reaction to the revised second quarter U.S. GNP figure, but then fell back as the dollar moved up on comments by Mr Volcker and Mr Baldrige, losing 80 points to close at $1.4040-1.4050. Sterling was very firm against Continentals and the yen, rising to DM 4.04 from DM 4.0050; FFr 12.23 from FFr 12.1650; SwFr 3.3350 from SwFr 3.2950; and Y335 from Y334.

D-MARK — Trading range against the dollar in 1985 is 3.4510 to 2.8375. June average 3.0639. Exchange rate index 123.9 against 120.9 six months ago.

The D-mark weakened against the dollar in late Frankfurt trading. The U.S. currency rose to DM 2.8680 from DM 2.8310, in very nervous and unsettled trading. Earlier in the day the Bundesbank did not intervene when the dollar was fixed at DM 2.8425, compared with DM 2.8518 previously. Apart from apparently conflicting comments by U.S. officials the dollar was also boosted by news that the Bundesbank altered its credit policy slightly, increasing the redicount quotas of the commercial banks. This will provide more long-term liquidity, and should lead to a further easing of domestic interest rates. Although key interest rates were unchanged after the Bundesbank council meeting a new securities repurchase agreement was announced at a lower minimum rate, in a further sign that the central bank intends to keep downward pressure on rates.

STERLING INDEX

	July 18	Previous
8.30 am	83.8	83.1
9.00 am	83.8	83.2
10.00 am	83.8	83.4
11.00 am	83.9	83.8
Noon	83.8	84.0
1.00 pm	83.8	83.9
2.00 pm	84.1	84.1
3.00 pm	83.8	83.7
4.00 pm	83.9	83.8

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu July 18	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian franc ...	44.9008	45.3013	+0.89	+0.64	±1.5471
Danish krone ...	8.14104	8.10958	−0.39	−0.64	±1.6419
German D-mark	2.24184	2.25277	+0.49	+0.24	±1.1475
French franc ...	6.87456	6.83764	−0.54	−0.79	±1.3669
Dutch guilder ...	2.52595	2.53596	+0.40	+0.15	±1.5171
Irish punt ...	0.72569	0.718180	−1.03	−1.28	±1.6653
Italian lira ...	1403.49	1458.55	+3.92	+3.63	±4.0410

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

July 18	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.4000-1.4240	1.4040-1.4050	0.54-0.51c pm	4.49	1.31-1.26 pm	3.66
Canada	1.8906-1.9080	1.8975-1.9025	0.01c pm-par	0.03	0.02-0.01 pm	0.03
Nethlnd.	4.54-4.58	4.56-4.56	2¼-2c pm	5.76	6¼-5⅞ pm	5.32
Belgium	80.43-81.25	80.95-81.05	27-22c pm	3.63	61-51 pm	2.77
Denmark	14.44-14.55½	14.52-14.53	4-2¾ore pm	2.84	9¼-7¾ pm	2.17
Ireland	1.2780-1.2862	1.2845-1.2855	0.20-0.13p pm	1.86	0.62-0.38 pm	1.56
W. Ger.	4.00¾-4.04½	4.03½-4.04½	2½-2¼pf pm	7.24	6¼-6¼ pm	6.44
Portugal	230¼-234½	231-233	115-475c dis	−15.26	465-1580ds	−17.63

FINANCIAL FUTURES

Late fall

Interest rate contracts fell in late trading on the London Financial Futures Exchange yesterday. Dealers may have exaggerated a little when they described the market as a blood bath, but there is little doubt *that many traders were disturbed* and confused by yesterday's events. September Eurodollars opened slightly weaker at 92.11, and held fairly steady until publication of th revised U.S. second quarter GNP figure. The market was looking for a downward revision to about 2-2½ per cent from th flash estimate of 3.1 per cent last month, and the owver announcement of 1.7 per cent sent the Eurodollar contrast up to a peak of 92.26. Sentiment then turned suddenly, amid reports of some very disturbed scenes in Chicago.

Mr Paul Volcker's comment about the harm done to the economy by the weakening of the dollar, appeared to conflict with Mr Malcolm Baldrige's *suggestion of a further fall of* 25 per cent in the value of the currency, and left the market totally confused about trends in credit markets and the dollar. The September contract fell to a low of 91.88 before closing at 91.93, compared with 92.18 previously.

U.S. Treasury bond futures followed a similar pattern, sterling denominated contracts also weakened as the pound lost ground to the stronger dollar in the foreign exchanges.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
Sept	91.93	92.26	91.88	92.18
Dec	91.49	91.79	91.46	91.79
March	91.04	91.27	01.02	91.37
June	90.64	90.87	90.64	80.99
Sept	90.29	—	—	90.64

Est volume 8,565 (—)
Previous day's open int — (19,320)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
Sept	77-01	78-10	76-27	77-26
Dec	75-29	76-21	75-28	76-23
March	74-29	—	—	75-23

Est volume 5,807 (—)
Previous day's open int — (2,577)

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

LIFFE OPTIONS REPORT

Sterling Currency—£25,000 c per £. Moderate volume traded against slightly easier cash markets with open interest again at record levels.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
1001	173	8146	5057

Eurodollar Future—points of 100%. Narrow spreads were evident as steady volume traded against a weakening cash market.

Est volume Calls	Est volume Puts	Previous day's open interest Calls	Previous day's open interest Puts
208	113	394	445

For full details of settlement prices call Louise Powell at LIFFE on 01-623 0444. LIFFE, Royal Exchange, London EC3V 3PJ.

Asian $ (closing rates in Singapore): Short-term 7¾-7⅞ per cent; seven days 7¾-7⅞ per cent; one month 7¾-7⅞ per cent; three months 7^{13}/16-7^{15}/16 per cent; six months 8-8⅛ per cent; one year 8^{5}/16-8^{7}/16 per cent. Long-term Eurodollars: two years 9¼-9½ per cent; three years 9^{13}/16-10^{1}/16 per cent; four years 10⅛-10⅜ per cnt; five years 10½-10⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

MONEY MARKETS

Further downward pressure

Downward pressure continued on interest rates in the major European financial centres yesterday. In London the Bank of England again underlined the need for caution in reducing interest rates, as the discount houses remained reluctant to sell bills to the authorities at existing official dealing rates. In Paris the Bank of France cut its money market intervention rate for the second time this month, by another ¼ per cent to 9⅝ per cent, while in Frankfurt the Bundesbank offered banks a 30-day securities repurchase agreement at a minimum rate of 4.8 per cent, the lowest since the central bank began such agreements in 1979, and compared with the previous minimum of 5.1 per cent set earlier this month. As expected the Bundesbank did not change its discount or Lombard rates at yesterday's council meeting, but the central bank raised the rediscount quota's of commercial banks by DM 3bn from August 1.

The Bank of England forecast a money market shortage of £1,100m in the morning, but later changed this to £1,150m. No assistance was given to the market in the morning, but after lunch help of £1,175m was provided. A total of £845m bill were purchased, including £258m outright, by way of £8m bank bills in band 1 (up to 14 days maturity) at 11⅞ per cent; £238m bank bills in band 2 (15-33 days) at 11^{13}/16 per cent; and £14m bank bills in band 3 (34-63 days) at 11Z per cent. Another £587m bills were bought for resale to the market in equal amounts on August 6 and 7 at rates of 11^{31}/32-11⅞ per cent.

Late assistance of £330m was also provided.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £302m, with the unwinding of repurchase agreements absorbing £527m, Exchequer transactions £210m, and a rise in the note circulation another £35m. These outweighed bank balances above target by £40m.

In the interbank market three-month money was unchanged at 11⅞-11Z per cent, and discount houses buying rates for three-month bank bills rose slightly to 11⅝ per cent from 11^{9}/16 per cent.

UK clearing banks base lending rate 12 per cent since July 11-16

MONEY RATES

July 18	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.15-5.25	9¼	1⅛-1⅛	6⅝-6¾	6.09375	14⅛-14⅞	8.55	—
One month	5.30-5.40	9¾-9⅞	4⅞-5	6⅜-6½	6.28125	13⅝-14	8⅝-8¾	—
Two months	5.30-5.40	9¾-9⅞	—	—	—	—	—	—
Three months	5.30-5.40	9¾-9⅞	4^{15}/16-5^{1}/16	6^{3}/16-6^{5}/16	6.34375	14¼-14⅝	8⅞ 9	—
Six months	5.30-5.45	9⅞ 10	—	6⅛-6¼	—	—	9-9¼	—
Lombard	6.0	—	—	—	—	—	—	—
Intervention	—	9⅝	—	6⅝	—	—	—	—

FT LONDON INTERBANK FIXING

(11.00 a.m. July 18) 3 months U.S. dollars

bid 7 13/16 | offer 7 15/16

$ WORLD VALUE OF THE DOLLAR

BANK OF AMERICA NT & SA, ECONOMICS DEPARTMENT, LONDON

The table below gives the rates of exchange for the U.S. dollar against various currencies as of Wednesday, July 17, 1985. The exchange rates listed are middle rates between buying and selling rates as quoted between banks, unless otherwise indicated. All currencies are quoted in foreign currency units per one U.S. dollar except in certain specified areas. All rates quoted are indicative. They are not based on, and are not intended to be used as a basis for, particular transactions.

Bank of America NT & SA does not undertake to trade in all listed foreign currencies, and neither Bank of America NT & SA nor the Financial Times assume responsibility for errors.

Bank of America, Economics Dept., E.M.E.A. London
Eurodollar Libor as of July 17 at 11 a.m.
3 months: 7^{13}/16 6 months: 7^{15}/16

ECU=$US.787665 SDR1=$U.S.1.02997
Sibor as of July 17 at 11. a.m.
3 months: 7⅞ 6 months: 8

COUNTRY	CURRENCY	VALUE OF DOLLAR
Afghanistan	Afghani (o)	50.60
Albania	Lek	7.1596
Algeria	Dinar	4.994
Andorra	Fr. Franc	8.685
	Sp. Peseta	175.47
Angola	Kwanza	29.918
Antigua	E. Caribbean $	2.70
Argentina	Austral (8)	0.805
Australia	Dollar	1.4065
Austria	Schilling	20.0975
Grenada	E. Caribbean $	2.70
Guadaloupe	Franc	8.685
Guam	U.S. $	1.00
Guatemala	Quetzal (o)	1.00
	Quetzal (h, l)	3.03
Guinea Bissau	Peso	147.323
Guinea Rep	Syli	23.967
Guyana	Dollar	4.12
Haiti	Gourde	5.00
Honduras Rep.	Lempira	2.00
Paraguay	Guarani (o.c.)	240.00
	Guarani (d)	621.00
Peru	Sol (o)	11959.
Philippines	Peso	18.65
Pitcairn Is.	N.Z. Dollar	2.0097
Poland	Zloty (o) (3)	158.23
Portugal	Escudo	167.20
Puerto Rico	U.S. $	1.00
Qatar	Riyal	3.641
Reunion, Ile de la	Fr. Franc	8.685

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1985 High	Low	Stock	Price £	+ or –	Yield Int.	Red.
99¼	97¾	Treas 8¾pc Cnv '85	99½	+¼	8.79	12.08
101½	99¼	Exch. 12¼pc 1985	100⅛	–⅛	12.23	11.50
101¼	99¼	Exch. 11¾pc '86	100¼	–¼	11.73	11.33
99½	97¼	Treas. 10pc Cnv 1986	99¼	–¼	10.08	11.08
95¼	92¼	Treas 3pc 1986	95⅛	–¼	3.15	9.17
100	97½	Exch. 10½pc Cv '86	99¼	–¼	10.55	10.98
101⅞	99⅝	Treas 12pc 1986	101	–¼	11.88	10.74
98⅛	94¾	Treas 8¼pc 1984-86‡‡	98⅛	+⅛	8.66	10.56
105¼	102¼	Exch. 14pc 1986	103⅝	......	13.51	10.80
93¼	87¾	Exch. 2½pc 1986	93¼	–¼	2.68	7.87
104¼	101¾	Exch. 13¼pc 1987	103¼ xd	+¼	12.83	10.78
99½	96⅝	Treas 10¼pc Cv '87	99¼ xd	+¼	10.32	10.74
91¼	85¼	Exch 2½pc 1987	91¼	+¼	2.73	8.14
99⅝	96¼	Exch. 10½pc 1987	99⅝	+⅛	10.54	10.70
93⅝	89	Funding 6½pc '85-87‡‡	93⅝	.....	6.94	10.48
98¼	95½	Treas. 10pc 1987	98¼	+¼	10.12	10.72
90¼	84¼	Treas 3pc 1987	90¼	–¼	3.33	8.47
102¼	99⅝	Treas. 12pc 1987	102¼	+¼	11.73	10.83
94¼	90¼	Treas 7¾pc 1985-88‡‡	94¼ xd	+¼	8.23	10.42
99¼	95⅛	Exch 10½pc '88	99¼	.. ...	10.57	10.76
97¼	93⅛	Treas 9¼pc Cv '88	97⅛	–¼	10.04	10.91
86¼	80	Transport 3pc '78-88	86¼	–¼	3.48	8.32
96⅛	91½	Treas. 9½pc '88	96	–⅛	9.90	10.96
101⅞	97½	Treas 11½pc 1989	101⅞ xd	+¼	11.29	10.86
95¼	90¼	Treas 9½pc Cnv. '89	95¼	.....	9.92	10.87
80⅝	79	Treas 3pc 1989	80⅝	+¼	3.72	9.11
98¼	94	Treas 10½pc 1989	98⅝	–¼	10.65	10.93
96¼	92	Exch 10pc 1989	96¼ xd	+¼	10.32	10.96

BUILDING, TIMBER, ROADS

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
280	236	AMEC 50p	275	+8	11.0	2.3	5.7	10.9
202	178	Aberdeen Const.	190	+4	7.25	2.3	5.5	11.2
310	190	♦Access Satellite 5p	210	+10	a2.0	2.5	1.4	41.2
25½	17	Allied Plant 5p	17½	...	B	—	—	—
22	22	♥Amco Ind Hldgs	22		—	—	—	—
56	29	Amcliffe 10p	54	....	0.1	ϕ	0.3	ϕ
110	82	Attwoods	84	...	3.5	1.8	6.0	14.7
280	212	BPB Inds. 50p	270	+2	7.7	3.0	4.1	10.7
266	206	Baggeridge Brick	260	+2	6.25	3.7	3.4	11.2
32	20	Bailey (Ben) 10p	20	...	‡1.8	2.9	‡	3.7
40	25	Baldwin (H. J.) 10p	33	....	—	—	—	13.0
90	66	Barratt Dev. 10p	78	+2	7.62	1.1	14.0	9.5
138	111	Bellway	124	+1	7.0	2.0	8.1	8.3
71	61	Benford M. 10p	66	.....	3.75	0.7	8.1	(35.1)
168	146	♦Berkeley Group	160	....	3.6	ϕ	3.2	ϕ
64	50	Bett Bros 20p	51xd	...	d3.1	1.6	8.7	9.0

DRAPERY & STORES—Cont.

1985 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
190	142	Linecroft Kilgour 10p	178	...	†5.5	2.5	4.5	10.4
313	209	MFI Furniture 10p	250	...	ϕ†4.6	2.8	2.6	19.0
148	115	Marks & Spencer	142	+2	3.4	2.0	3.4	20.8
70	50	Martin (A.) 20p	68	...	3.0	2.7	6.3	6.7
303	218	Menzies (J.)	278	...	3.38	4.8	1.7	17.2
173	116	Milletts Leis. 20p	155	...	3.95	—	3.6	—
525	305	Moss Bros 20p	440	...	5.0	3.4	1.6	25.5
130	96	NSS News 10p	112	...	†3.3	2.9	4.2	11.7
365	275	Oliver (G.) "A"	310	...	8.0	ϕ	3.7	ϕ
585	333	Our Price 20p	525	–5	N3.0	4.0	0.8	39.9
290	178	Owen Owen	255	...	3.9	3.0	2.2	22.2
107	68	♦Page Group 10p	71	–1	u3.0	ϕ	6.2	ϕ
97	56	Peters Stores 10p	76	...	tu2.0	—	‡	—
118	100	Preedy (Alfred)	110	...	†5.5	2.1	4.5	(12.1)
25½	20	Ramar Texts. 5p	22½	...	1.5	2.2	9.5	(5.6)
87	46	Ratners 10p	87	...	2.5	ϕ	4.2	ϕ

AMERICANS—Cont.

Five to Fifteen Years

Over Fifteen Years

Undated

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HOTELS AND CATERERS

HOTELS—Continued

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
48	28	Manchester Hldgs 10p.	37	−1	—	—	—	—
328	202	Man. Ship Car. £1	307		5.5	3.5	2.6	26.1
104	75	Marley	78	+1	3.75	2.2	6.9	9.4
107	52	Marling Ind. 10p	87		3.0	5.6	2.1	10.2
74	36	Marshall L'ry 'A'	61		2.4	4.9	5.6	4.4
77	61	Marshall's Universal	68		2.0	1.4	4.5	(25)
86	78	Do 7½pcCnRedPf £1	82		7½%	—	13.1	—
22	22	Martin-Black	22		—	—	—	—
£97	£81	Mathesons 7¾%	£95		Q7¾%	2.3	18.5	—
35	26	Maxprint 1p	30		—	—	—	—
477	375	Metal Box £1	440	+2	17.25	3.1	5.5	6.5
170	136	Metal Closures	136		6.7	2.0	7.0	8.5
17	9	Metal Sciences 2½p	18		—	—	—	—
104	73	Midland Marts	80		4.8	♦	7.1	♦
83½	67	Mitchell Cotts	67	−½	4.0	1.5	8.5	9.6

LEISURE—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
210	177	Central T.V. N/V 50p	185		10.5	2.3	8.1	7.7
52	18	Entertain Prod 5p	10		2.25	2.1	17.9	3.2
78	50	Fairline Boats 10p	67		2.65	2.6	5.6	9.5
300	228	First Leisure £1	300	−5	6.5	2.8	3.1	15.9
69	51	GRA Group 5p	57	−1	—	—	—	50.3
32	26	Grampian TVA 10p	26		1.67	♦	9.2	♦
145	117	HTV Non V'g	133		7.5	2.9	7.5	6.9
148	109	Horizon	110	+2	4.4	3.6	5.7	4.9
184	90	Insight	158		2.5	6.5	2.3	9.8
134	102	Intasun 10p	123		4.2	♦	3.7	♦
33	5	Intervision Video 10p	6		—	—	—	—
232	173	Juliana's Hldgs 2p	180	−2	2.0	1.8	1.4	29.7
268	217	LWT	257		14.4	2.3	8.0	7.6
30	25	Leisure Inv 10p	30		—	—	—	—
66	46	Leisuretime Int 10p	56		2.7	3.9	6.8	6.0

PROPERTY—Continued

1985 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
218	190	Hardanger Prop 10p	208		9.8	2.3	6.7	7.6
520	446	Haslemere 10p	454	+6	9.6	♦	3.1	♦
66	40½	HK Land	61½	+1½	Q1c	19.6	0.2	35.2
295	223	Imry Prop Ltd 10p	285	+5	9.0	2.5	4.5	10.0
310	255	Imry Property	270	+10	9.3	1.8	2.5	30.4
£104	698	Int. Inc Prop $0.01	698		Q88c	—	9.1	—
125	85	Jermyn Invest	105		1.63	3.5	2.2	16.6
310	262	Laing Properties	266		6.25	2.4	3.4	14.3
£145	£122½	Do 6% Cnv 2000-05	£123	+½	Q6%	6.2	7.1	—
46½	35	Land Investors	38½		1.0	1.6	3.7	23.3
311	255	Land Securities £1	270		8.15	1.4	4.3	23.3
410	315	Land Lease 50c	352		045c	1.9	3.5	15.1
286	188	Lon & Edinburgh 10p	266		6.25	2.9	3.4	12.2

For London & Manchester see Property Trust

INVESTMENT TRUSTS—Cont.

1985 High	Low	Stock	Price
148	111	Drayton Far East	119
55	39	Do. Warrants 82-91	39
422	344	Drayton Japan	374
412	363	Drayton Premier	406
66	59	Dualvest Inc. 50p	59
£11½	£10	Do. Capital £1	£11
183	162	Dundee & London	164
117½	89	Edinburgh Am. Tst	97
51	38	Edinburgh Fin Tst	38
116	103	Edinburgh Inv	106
34	23	Edinburgh In Wts	27
129	113	Electra Inv. Tst	127
292	254	Elect. & Gen	262
412	350	Energy Res. & Serv. 5$	375

FINANCE, LAND—Cont.

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O.F.S.

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OVERSEAS TRADERS

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MINES

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REGIONAL & IRISH STOCKS

Stock	Price	+ or −	Stock	Price	+ or −
Finlay Pkg. 5p	61		Carroll Inds.	134	
Higsons Brew	225		Dublin Gas	67	+2
Holt (Jos) 25p	725		Hall (R & H)	56	
IoM Stm. £1	85		Heiton Hldgs.	18	
IRISH			Irish Ropes	47	
Fund 11¾% 1988	£100¼		Jacob (W & R)	80	
Nat. 9¾% 84/89	£96½		Unidare	87	
Fin. 13% 97/02	£116	+½			

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This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £800 per annum for each security.

LONDON STOCK EXCHANGE

MARKET REPORT

Currency movements cause first setback in gilts for nearly three weeks

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
June 17	June 27	June 28	July 8
July 1	July 11	July 12	July 22
July 15	July 25	July 26	Aug 5

* "New-time" dealings may take place from 9.30 am two business days earlier.

The Gilt-edged market yesterday experienced its first reversal for nearly three weeks. Although relatively minor, the setback was directly linked with the announcement of important U.S. economic data and its effect on the current sterling/dollar relationship. The pound spurted higher around 1.30 pm as the dollar dipped on a disappointing revised second-quarter GNP figure of only 1.6 per cent; last month's "flash estomate" was 3.1 per cent.

Shortly afterwards, the U.S. currency rallied strongly owing to short-covering in the wake of better-than-expected U.S. industrial production for June. The recovery was also aided by more reassuring predictions of the U.S. economic trends in the second-half of the year from both the Federal Reserve Board chairman, who continued his testimony to Congress, and from the U.S. Commerce Secretary.

Sterling reacted to close lower on balance at $1.4045 after a peak of $1.4240 and Government stocks performed similarly. Profit-taking developed during a lull in the recent widespread demand and gains among longer-dated Gilts extending to a further half-point were erased. The drift lower continued after-hours and selected stocks settled a net ⅛ down on the session. Shorter maturities were more resilient and closed with small movements in both directions.

Equities were more subdued and sentiment tended to sway with currency movements. Despite the authorities' refusal to signal approval of lower interest rates, the hope of a further small cut in bank base rates supported a firm undertone. U.S. influences, including Wall Street's rise to an all-time high level, had little overall impact on the market.

Trading announcements brought both good and bad features with Gussies and Distillers closing easier after their respective preliminary trading statements. Movements generally were of little consequence and this was reflected in the FT Ordinary share index. Four points covered *the day's range and from being* 2.3 up in the early business, it settled 0.8 down on balance at 932.8.

J. Rothschild up

Merchant banks attracted a selective buying interest. **J. Rothschild** closed 4 better at 98p, after 100p, following speculative support, while **Kleinwort Benson** added 5 at 495p and **Schroders** 10 at 870p.

Apart from **Minet**, which firmed 5 to 187p, Lloyds Brokers reacted in sympathy with the dollar's early fall. **Willis Faber** lost 12 to 608p and **Sedgwick** gave up 8 at 345p, while Stewart Wrightson cheapened 7 to 565p. **PWS International**, at 230p, lost a further 10 for a decline of 40 since Tuesday when the chairman revealed a redundancy programme.

The introduction of investment holding group **Cannon Street Investments** to the Unlisted Securities Market was a quiet affair. The shares opened at 48p and settled at 43p, while the Convertible Preference ended at £190.

Distillers were an active but volatile market. Up to 290p immediately after news of pre-*liminary profits in excess of* expectations, the shares dipped to 280p before settling 4 lower on balance at 281p; analysts emerged in non-commital mood from the post-announcement meeting. Breweries made modest progress where altered. **Allied-Lyons** hardened 4 to 228p, while gains of 3 were common to **Whitbread A**, 218p, and **Bass**, 543p. Regionals highlighted East Anglia's **Greene King** which spurted 14 to 176p following a newsletter investment recommendation.

Buildings gave another outstanding performance against a backdrop of interest rate optimism and hopes that the Government would embark on a major public works spending programme. The leaders forged ahead before profit-taking developed and took many issues away from the best levels. However, the majority were still left with further good gains. **Blue Circle** were prominent and 15 higher at 540p, while **John Laing** gained 16 to 258p, after 263p. **Costain** were up another 8 at 432p, after 436p, and **George Wimpey** closed 6 higher at a 1985 peak of 134p. Rises of 10 and 8 respectively were seen in **Alfred McAlpine**, 290p, and **AMEC**, 275p. **Y. J. Lovell** gained 10 to 250p in reply to good half?yearly figures and confident statement. On the takeover front, **Vectis Stone** moved up 2 to 57p following the agreed offer of 60p per share, worth £8.3m, from Bardon Hill.

S. R. Gent flat

Great Universal Stores, a rising market of late and standing at 805p ahead of the announcement, reacted sharply to close a net 15 cheaper at 783p on annual profits which fell short of market estimates. Other leading Retailers passed a relatively subdued session. Widespread comment on the bid situation left **Debenhams** 8 off at 314p and **Burton** 2 cheaper at 446p; the offer currently values the former at around 327p per share. **Woolworth** attracted revived support in a narrow market and rose to 431p before settling a net 8 higher at 423p.

Major Marks and Spencer supplier **S. R. Gent** became a notable casualty falling 24 to 64p, after 60p, on the second-half profits warning and likelihood of a sharply reduced final dividend payment. **Sumrie Clothes** were marked down to 26p at the outset and settled 6 lower on balance at 30p following allegations, later denied by the company, of involvement in the Johnson Matthey Bankers controversy. On a brighter note, widespread *satisfaction with the preliminary* results lifted **Dixons** 15 more to 732p, after 739p.

Trading in **Plessey** were more subdued after Wednesday's excitement and shares retreated 4 to 16?p, after 140p. Other Electrical leaders also failed to continue the previous day's firm trend and gave ground. **Thorn EMI** closed 7 off at 322p, after 317p, and **GEC** 2 easier at 172p. **Racal** softened a couple of pence to 142p, while **STC** declined 2 more to a 1985 low of 98p on further consideration of the proposed reorganisation plans. **British Telecom**, however, firmed 3 afresh to 185p following the annual report. Elsewhere, **Chloride** jumped to 42p before closing 4 higher on balance at 39p after news of the £34.4m sale of its overseas battery manufacturing and marketing activities to Dunlop Olympic of Australia. **Bowthorpe** revived with a speculative gain of 17 to 340p.

TI, well supported this week ahead of the interim results scheduled for August 8, advanced sharply to a 1985 peak of 308p before closing 20 higher on balance at 298p following the surprise announcement that a *consortium headed by* **Evered**, had acquired an 11.6 per cent stake in the company; **Evered** jumped 18 to 228p. Elsewhere, **GKN**, recently affected by adverse comment, rallied 4 to 213p, but **Hawker** reflected currency movements with a fresh reaction of 2 to 361p. **Davy Corporation** attracted support in *the wake of the good preliminary* figures and closed 11 better at 108p, while **Meggitt** put on 4 to 97p ahead of next Thursday's first-half results. Despite nearly trebled interim profits, **Habit Precision** softened a couple of pence to 65p, while **R. Cartwright** fell 7 to 151p on thoughts that the bid from Newman Tonks *now seems likely* to fail.

Steetley up again

Reflecting the current popoularity of the Building sector, **Steetley**, at 329p, and **Trafalgar House**, at 367p, advanced 9 apiece. Elsewhere in miscellaneous industrials, **BET** firmed 5 *to 300p following annual* results in line with expectations. Profit-taking in the wake of the excellent interim profits caused **Gestetner** to react from an initial firm level of 119p to finish 3 easier on balance at 112p. Takeover speculation pushed **Extel** up to 360p but the price later succumbed to profit-taking and closed a net couple of pence off at 348p. Of the leaders, **Rank Organisation** advanced 10 more to 380p and **Pilkington** 12 to 277p.

Currency fluctuations continued to unsettle **Jaguar** which dipped to a 1985 low of 237p before closing 3 cheaper on balance at 240p. **York Trailer**, currently in receipt of a bid from United Parcels, hardened a couple of pence to 43p following more-than-doubled first-half profits. The news led brokers Philips and Drew to withdraw previous advice to York shareholders to accept the offer; **United Parcels** firmed 2 to 77p. Elsewhere, USM-quoted **BTS** rose 5 to 70p after sharply increased full-year figures.

Properties were underpinned by **Haslemere Estates'** good annual results and attractive asset valuation. Haslemere closed 6 higher at the day's best of 454p, but **Land Securities** fluctuated narrowly before closing unchanged at 270p, as did **MEPC**, at 260p. Elsewhere, **Regalian** moved up 12 to 200p following the annual meeting. **Capital and Counties** were finally 8 higher at 223p on news that the Transatlantic Insurance offer had been declared unconditional.

Textiles continued to present an irregular pofile. **Victoria Carpet** advanced 5 to 45p in response to bumper full-year profits. In contrast, receding bid hopes following the pact with former adversary Entrad clipped 3 more from **Tootal** at 73p.

Rothmans International, dull recently following disappointing preliminary results, slumped 6 more to 118p, after 116p, following a gloomy statement at the annual meeting of the Carling O'Keefe subsidiary, together with news of lay-offs at Rothmans Pall Mall, also in Canada: sentiment was also unsettled by tax increases in the Canadian budget.

Oils dip and rally

News of price cuts *ranging up* to $2 a barrel for various Egyptian crudes and increasing nervouseness ahead of next Monday's Opec meeting in Geneva put the oil sector under pressure during initial business. *However, the leaders gradually* regained their composure, helped by a rally in the dollar, and by the close losses were generally of a minimal nature. **BP** were particularly vulnerable and dropped to 510p prior to recovering sufficiently to end the day only 7 cheaper on balance at 515p; the company announced a major re-organisation of its Sobio subsidiary which will involve staff cuts of about 600. **Shell** dipped to 676p but picked up to close 3 firmer on the day at 683p.

Golds easier

Wednesday's flurry of buying interest in mining markets proved short-lived and the sector gave ground across the board. Bullion traded briefly around $325 first thing but gradually drifted back to well below $320 in the afternoon before steadying to close a net $5.5 down on balance at $320.25 following a rally in the dollar.

Business in South African Golds contracted reflecting the general lack of interest. Share prices were marked down at the outset and subsequently eased for the rest of the day as persistent but generally modest selling pressure followed the performance of gold. At the close of trading the majority were *showing* widespread *small* falls and the Gold Index gave up 3.6 to 407.2.

A handful of second-line Australian gold stocks made good progress, boosted by strong gains in overnight domestic markets and the recent upturn in bullion. **Sons of Gwalia** were prominent and rose 6 to 112p while similar gains were recorded by **Kitchener**, 77p and **Whim Creek**, 144p. **Pancontinental**, which recently commenced gold production at its Paddington mine near Kalgoorlie in Western Australia, edged up 3 to 94p. In the junior exploration sector **Gem Exploration** raced ahead to a record 122p in early trading, prior to closing a net 10 to the good at 118p. London jobbers did not make prices in **Portman Mining**, shares of which more than doubled in London on Wednesday, following the suspension of dealings in Australian markets overnight.

Traded Option volume declined slightly with 7,240 contracts struck. Currency fluctuations *prompted another lively demand* for the short Gilt option which contributed 493 trades. **Lonrho** were also active and recorded 589 calls following the interim

FINANCIAL TIMES STOCK INDICES

	July 18	July 17	July 16	July 15	July 12	July 11	year ago
Government Secs	83.39	83.56	83.18	83.12	82.89	82.75	76.24
Fixed Interest	88.26	88.00	87.66	87.50	87.58	87.49	80.99
Ordinary ♥	932.8	933.6	928.7	937.2	926.0	934.4	764.7
Gold Mines	407.2	410.8	399.0	399.6	392.4	401.4	529.3
Ord. Div. Yield	4.99	4.99	5.00	4.96	5.01	4.96	5.19
Earnings, Yld.% (full)	12.45	12.45	12.47	12.38	12.48	12.36	12.04
P/E Ratio (net) (*)	9.81	9.81	9.79	9.87	9.79	9.88	9.98
Total bargains (Est.)	19,753	19,600	19,980	20,495	21,819	20,638	16,939
Equity turnover £m.	—	468.8	371.4	273.2	329.80	400.37	192.46
Equity bargains	—	15,732	15,141	16,386	17,453	18,617	11,486
Shares traded (ml)	—	209.6	173.1	149.9	166.8	192.8	102.0

♥ 10 am 935.9. 11 am 933.0. Noon 931.9. 1 pm 933.8.
2 pm 933.6. 3 pm 933.8. 4 pm 932.9.
Day's High 936.4. Day's Low 931.7.
Basis 100 Govt Secs. 15/10/28. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.
Latest Index 01-246 8026.
* Nil = 9.48.

HIGHS AND LOWS

—	1985 High	1985 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	83.56 (17/7)	78.02 (28/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	88.26 (18/7)	82.17 (28/1)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1)	923.1 (10/7)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	536.9 (15/4)	392.4 (12/7)	734.7 (15/2/83)	45.5 (26/10/71)

S.E. ACTIVITY INDICES

	July 17	July 16
Daily Gilt Edged Bargains	177.4	174.8
Equities Bargains	101.9	98.1
Value	947.5	750.7
5 day Average Gilt Edged Bargains	172.1	165.1
Equities Bargains	108.0	107.5
Value	745.2	676.5

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
BET Dfd	300	+ 5
BP	515	− 7
Chloride	39	+ 4
Debenhams	314	− 8
Distillers	281	− 4
Dixons Group	732	+15
Extel	348	− 2
Gent (S. R.)	64	−24
Laing (J.)	258	+16
Redland	293	− 2
Steetley	329	+ 9
TI	298	+10

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	19	68	21
Corpns. Dom. and Foreign Bonds	31	1	46
Fin. and Props.	89	63	404
Oils	28	32	67
Plantations	5	2	11
Mines	46	39	94
Others	71	51	115
Totals	563	476	1,731

NEW HIGHS AND LOWS FOR 1985

NEW HIGHS (64)

INTL BANK & O'SEAS GOVT STLG ISSUES (9)
BRITISH FUNDS (12)
CORPORATION LOANS (1)
Leeds 13½pc 2006
LOANS (4)
Nationwide Bldg Soc 12pc 3/2/86; Do. 12½pc 9/6/86; Do. 12¾pc 12/5/86; Met Water 3pc B
BANKS (2)
Algemene; Schroders
BREWERS (3)
Buckley's Brewery; Marston Thompson; Greene King
BUILDINGS (14)
AMEC; McAlpine (Alfred); Marshalls Halifax; [illegible]

[illegible]

NEW LOWS (76)

[illegible]

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

[illegible]

FIXED INTEREST

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS: 40,260
A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

Renunciation date usually last day for dealing free of stamp duty. [illegible]

OPTIONS

First Dealings	Last Dealings	Last Declarations	For Settlement
July 8	July 19	Oct 10	Oct 21
July 22	Aug 2	Oct 24	Nov 4
Aug 5	Aug 16	Nov 7	Nov 18

For rate indications see end of Share Information Service

Money was given for the call of Hongkong and Shanghai Banking, Petrogen, Crystalate, MK Electric, Vickers, Tern, J. Saville Gordon, TI, Charterhall, STC, Thorn EMI, Fobel International, Boots, Gomme and Southwest Resources. No puts were reported, but double options were taken out in Birmid Qualcast and Fobel.

WEDNESDAY'S ACTIVE STOCKS

Based on bargains recorded in Stock Exchange Official List.

[illegible]

LONDON TRADED OPTIONS

[illegible]

WORLD STOCK MARKETS

AUSTRIA
[illegible]

BELGIUM/LUXEMBOURG
[illegible]

DENMARK
[illegible]

FRANCE
[illegible]

GERMANY
[illegible]

ITALY
[illegible]

NETHERLANDS
[illegible]

NORWAY
[illegible]

SPAIN
[illegible]

SWEDEN
[illegible]

SWITZERLAND
[illegible]

AUSTRALIA (continued)
[illegible]

HONG KONG
[illegible]

JAPAN
[illegible]

JAPAN (continued)
[illegible]

SINGAPORE
[illegible]

SOUTH AFRICA
[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO
Prices at 2.30pm July 18

[illegible]

MONTREAL
Closing prices July 17

[illegible]

Indices

NEW YORK — DOW JONES

	July 17	July 16	July 15	July 12	July 11	1985 High	1985 Low	Since Comp'n High	Since Comp'n Low
◆Industri'ls	1357.97	1347.89	1335.48	1338.60	1337.70	1357.97 (17/7)	1184.96 (4/1)	1357.97 (17/7/85)	41.22 (2/7/32)
Home Bnds	80.55	80.65	80.46	80.18	80.45	80.65 (16/7)	72.27 (20/5)	—	—
Transport	702.6	700.14	689.26	687.97	676.97	702.6 (17/7)	553.03 (4/1)	702.6 (17/7/85)	12.32 (8/7/32)
Utilities	168.34	168.24	168.65	168.91	167.78	168.91 (12/7)	146.54 (4/1)	168.91 (12/7/85)	10.5 (28/4/42)
Trading Vol 000†	159,920	132,500	103,928	120,26	122,790	—	—	—	—

◆Day's High 1366.93 (1351.93) low 1346.21 (1331.54)

	July 12	July 5	June 28	year ago (approx)
Industrial div. yield %	4.58	4.59	4.69	5.10

STANDARD AND POORS

	July 18	July 17	July 16	July 15	July 12	July 11	1985 High	1985 Low	Since Compilation High	Since Compilation Low
Industrials	215.42*	215.52	214.15	211.78	212.48	212.23	215.52 (17/7)	128.24 (4/1)	215.52 (16/7/85)	3.62 (30/6/32)
Composite	195.34*	195.65	194.72	192.72	193.29	192.84	195.65 (16/7)	163.68 (4/1)	195.65 (16/7/85)	4.40 (1/6/32)

	July 10	July 3	June 26	Year Ago (Approx)
Ind div yield %	3.69	3.78	3.72	4.32
Ind. P/E Ratio	11.99	11.96	11.90	10.65
Long Gov Bond Yield	10.20	10.44	10.87	13.31

N.Y.S.E. ALL COMMON

July 18	July 17	July 16	July 15	1985 High	1985 Low
113.3*	113.49	113.05	111.93	113.65 (16/7)	94.60 (4/1)

RISES AND FALLS

	July 17	July 16	July 15
Issues traded	2,018	2,008	2,008
Rises	958	1,181	874
Falls	671	431	680
Unchanged	389	398	455

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day
Philips Pet	6,930,800	11¾	+ ⅜
BankAmer	2,473,700	17¾	− ¼
Searle	1,822,700	63⅜	+4½
IBM	1,415,900	125½	+ ⅛
LTV Corp	1,410,300	8⅛	+ ⅛
U.S. Steel	1,181,500	28	+ ⅛
Paget Sou	1,093,000	16⅝	+ ⅛
ATT	1,047,400	22½	− ⅛
Inco	1,009,600	14¾	+ ⅜
Sperry Cp	948,200	52	+ ½

Advances 634 Declines 882

TORONTO	July 18	July 17	July 16	July 15	1985 High	1985 Low
Metals & Minls	2,015.3*	1,981.8	1,922.7	1,899.11	2190.7 (13/2)	1896.8 (4/1)
Composite	2,810.0*	2,804.2	2,776.7	2,766.44	2802.0 (17/7)	2348.5 (8/1)
MONTREAL Portfolio	139.17*	138.73	136.66	135.64	138.85 (17/7)	117.00 (4/1)

* Indicates pre-close figure

AUSTRALIA / AUSTRIA / BELGIUM / CANADA / DENMARK / FRANCE / GERMANY / HONG KONG / ITALY / JAPAN / NETHERLANDS / NORWAY / SINGAPORE / SOUTH AFRICA / SPAIN / SWEDEN / SWITZERLAND / WORLD
[illegible]

LONDON Chief price changes
(in pence unless otherwise indicated)

RISES

Blue Cir Inds.	540	+15
Bowthorpe	340	+17
Chloride	39	+ 4
Davy Corp	108	+11
Dixons Group	732	+15
Evered	228	+18
Gem Exp & Min	118	+10
Greene King	176	+14
Laing (John)	258	+16
McAlpine (Alf)	290	+10
Petranol	135	+15
Rank Org	380	+10
Rothschild (J)	98	+ 4
Sons of Gwalia	112	+ 6
Steetley	329	+ 9
TI	298	+10
Victoria Carpet	45	+ 5
Wimpey (Geo)	134	+ 6

FALLS

Tr 8¾ pc 1997	£1½	− ⅜
Barr & W.A.T. A	107	−11
BP	515	− 7
Cartwright (R.)	151	− 7
Debenhams	314	− 8
Falcon Res	57	− 6
Gent (S.R.)	64	−24
GUS A	783	−15
Plessey	142	− 4
Roth Intl	118	− 6
Sumrie Clothes	30	− 6
Thorn EMI	322	− 7

OVER-THE-COUNTER
Nasdaq national market, 2.30pm prices

Continued from Page 39

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Prices at 3pm, July 18

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev Close
23½	16⅞	AAR	.48	2.1	17	81	23¼	23	23	−¼
17⅜	9⅜	AGS			14	56	16½	16⅛	16⅛	−⅛
16½	9⅝	AMCA				9	12	11⅞	12	
21½	13	AMF	.50	3.7	41	175	13⅝	13⅜	13⅜	−⅛
13⅝	12⅞	AMF wd				103	13½	13⅜	13½	−⅛
50¾	24¼	AMR			11	3702	49⅛	48⅝	48¾	−½
22⅞	18⅝	AMR pf2.18		9.7		6	22¾	22½	22½	−⅛
25⅞	22⅞	ANR pf 2.67		11.		383	23⅞	23⅝	23⅝	−¼
14¼	7⅝	APL				42	8⅛	8⅛	8⅛	
61⅛	44⅜	ASA	2	4.0		172	50⅜	49¾	49¾	−⅞
27	12½	AVX	.32	2.3	11	102	14¼	13½	13⅝	−⅝
28⅛	16	AZP	2.72	10	8	1471	27½	27⅛	27¼	−⅜
60	36¾	AbtLab	1.40	2.4	17	1321	59⅜	58¾	58¼	−⅛
25⅞	19	AccoWd	.50	2.2	17	289	22⅞	22¾	22⅞	+⅛
24¾	12½	AcmeC	.40	2.5		23	16⅛	16	16	−¼
10½	7½	AcmeE	.32b	4.3	9	28	7½	d	7⅜	7⅜
18⅜	15	AdaEx	1.92e	10.		190	u18¾	18⅜	18⅝	+⅜
20	11⅞	AdmMl	.32	1.9	7	22	17½	17¼	17¼	−¼
19½	8⅝	AdvSys	.53t	4.5	19	55	11⅞	11¾	11⅞	
41⅛	22⅛	AMD			13	4847	29⅜	28⅝	29⅛	+⅛
12¾	6⅞	Advest	.12	1.2		525	10⅛	9⅞	9⅞	
15⅞	8	Aeflex			14	111	15⅛	14¾	15	+⅛
49⅝	27¼	AetnLf	2.64	5.4	36	7558	49½	48¾	48¾	−⅞
57⅜	52⅜	AetL pf5.79e		10		2	56	56	56	+¼
37⅜	18¼	Ahmns	1.20	3.9	13	3071	32½	31	31	−1¾
3⅜	2½	Aileen				15	2¾	2⅝	2¾	
58¼	36⅝	AirPrd	1.20	2.2	12	1024	55⅜	54½	55⅜	+¾
24⅜	13	AirbFrt	.60	2.9	12	209	21¼	20⅜	21	+½
2⅛	1	AlMoa s				94	2	1⅞	2	
28¾	22	AlaP pf2.92e		10		113	28½	28½	28½	−⅛
33⅜	27¼	AlaP plA3.92		12		49	31½	31⅛	31⅜	+⅛
8⅛	6¼	AlaP dpf.87		11		40	8	7⅞	7⅞	
82	61½	AlaP pf 9		11.		z50	80	80	80	−1
85½	65½	AlaP pf 9.44		11.		z1120	85	85	85	+1
73½	56½	AlaP pf 8.28		11.		z420	u75	71½	75	+2⅝
16⅛	11⅜	Alagsc	s1.04	6.6	9	1	15¾	15¾	15¾	
26⅜	9¼	AlskAir	.16	.6	10	1184	26⅛	25¾	26⅛	+⅛
24½	10⅞	Albrto s	.38	1.6	19	67	24	23½	24	−⅛
33¼	24⅛	Albtsns	.76	2.5	13	573	30⅞	30¼	30¾	−½
31¼	23¼	Alcan	1.20	4.4	13	6845	27½	26¼	27	+⅝
38⅞	27⅛	AlcoStd	.20	3.2	13	23	37½	37⅛	37⅛	−⅜
32	17	AlexAlx	1	3.5		292	28⅞	28⅜	28½	−⅛
26½	20⅜	Alexdr			22	28	24⅞	24⅝	24¾	+¼
89½	72¼	AllgCp	2.06l	2.4	26	58	84⅛	83½	84⅛	−⅞
28¾	19⅝	Algint	1.40	5.7		281	24½	23⅞	24½	+½
20¾	15¼	Algln pf2.19		11.		5	19¾	19¾	19¾	
98	82¼	Algl pfC11.25		12.		6	97¼	97	97¼	+¼
34⅜	25⅜	AllgPw	2.70	8.2	10	394	33⅜	33	33⅛	−¼
22	15¾	AllenG	.60b	2.7	16	103	u22¼	21⅝	21⅞	+¼
48¾	28¼	AlldCp	1.80	4.0	9	4608	45½	45	45⅛	
68	53⅞	AldCp pf6.74		11.		248	63⅜	63⅛	63¼	+⅛
114¼	99	AldCp pf 12		10.		2	u114¾	114¾	114¾	+½
23½	15¼	AlldPd			19	48	20¾	20⅜	20¾	+¼
60⅛	42⅝	AlldStr	2.12	3.6	9	312	59⅞	59⅝	59⅝	−¼
12⅜	4⅜	AllisCh				1049	5⅜	4⅞	5¼	+⅜
34⅞	24	AlisC pf				13	31½	31	31¼	+¼
29½	20	ALLTL	1.84	6.3	9	144	29⅜	29⅛	29⅜	

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Continued on Page 39

منقول من جانب الفيصل

NYSE COMPOSITE PRICES

Continued from Page 38

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge Prev. Close
24¾	13⅞	RochG 2.20		8.9	7	249	24¾	24⅝	24⅝	
42⅛	27⅝	RochTl 2.44		6.1	10	83	40	39½	40	+½
40	27½	Rockwl 1.12		2.8	11	2982	u40¼	39¾	40	+⅛
71½	48⅞	RohmH 2.20		3.3	11	551	67⅝	67⅛	67½	+⅜
59¼	34	Rohrln			10	263	59¼	58⅝	59¼	+¼
26½	12½	RolnCm .40		1.5	38	489	26¼	25¾	26⅛	
32	8⅝	RollnE s .07e		.2	29	281	31¼	30	31¼	+¼
12⅛	6⅞	Rollins .48		4.0	17	81	11⅞	11½	11½	−½
4½	2	Ronson				53	2⅛	2⅛	2⅛	−⅛
19	12⅞	Roper .64		4.3	17	14	15⅛	14⅞	14⅞	
37⅜	24	Rorer 1.12		3.2	17	1284	35¾	34⅝	35½	+1¼
13	7⅞	Rowan .12		1.4	50	3138	8⅝	8⅛	8½	+⅜
61⅝	41¼	RoylD 3.07e		5.0		2039	61⅝	61¼	61⅜	−¼
17	9	Roylnt s			17	106	14	13⅞	13⅞	−⅛
54	35⅛	Rubrmd .96		1.8	18	102	53⅝	53⅛	53⅛	−½
26	14¾	RussBr			14	97	20⅞	20⅝	20⅞	+¼
20	15⅜	RusTog .76		4.0	9	71	19¼	19	19	−⅛
26½	19	RyanH 1		3.3	16	940	u30⅝	28⅜	30	+1¾
30¼	19⅝	Ryder s .60		2.0	11	438	u30⅜	28¾	30⅜	+⅜

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

AMEX COMPOSITE PRICES

Prices at 3pm, July 18

OVER-THE-COUNTER

Nasdaq national market, 2.30pm prices

Continued on Page 37

FINANCIAL TIMES
WORLD STOCK MARKETS

WALL STREET

Bull run encounters obstacles

THE ONWARD rush of Wall Street's week-long bull market encountered its first check yesterday when the Commerce Department substantially lowered its estimate on economic growth and the proposals for curbing the federal budget deficit remained bogged down in the Senate, *writes Terry Byland in New York.*

The bond market, which had successfully anticipated the revised GNP estimates, fell sharply as Mr Paul Volcker, the Federal Reserve chairman, continued his address to the Senate Banking Sub-committee.

In the stock market, blue chips rallied from early falls helped by a buying programme from a leading brokerage house. But termination of the programme left prices unsupported and a downward drift set in.

By 3pm the Dow Jones industrial average was down 1.56 at 1,356.41.

The implications of the downgrading of GNP estimates to 1.7 per cent growth, from the 3.1 per cent of the earlier "flash" figure, was counterbalanced by corporate results which have been better than predicted. But some credit market analysts now believe that weakness in the dollar could prevent the Fed from easing credit policy, even if the economy continues to falter.

Auto stocks made little response to Chrysler's profit figures. At $35¾, stock in Chrysler was unchanged in slack trading, while General Motors at $68⅞, eased $⅛. Ford at $43½ showed a similar fall, after the chairman had commented optimistically on the sales outlook for the industry.

Dow Chemical opened the reporting season for the industry, easing $¼ to $36⅛ on lacklustre profits for the second quarter. The main talking point was Monsanto's plan to merge with G. D. Searle. After brief suspensions, Monsanto stock returned to trade $2½ higher at $47¼, with Searle unchanged at $59¾.

In the steel-sector, Inland Steel added $⅛ to $25 on its profits statement. The sector was generally firm, with the leaders recommended by analysts as cyclical stocks likely to benefit if the recovery rebounds.

Results from the tobacco industry struck few sparks. Both R. J. Reynolds, $⅛ off at $29⅛, and Philip Morris, $⅜ down at $85, disclosed higher profits.

Other consumer-oriented issues reporting progress were headed by Coca-Cola, $½ lower at $73½, Maytag $⅞ up at $56, both on results.

Merck, the leading pharmaceutical group, eased $¼ to $116⅞, holding all the substantial gain of the past two months. Pfizer eased $⅜ to $52⅛ but Upjohn, again responding to optimism regarding its anti-baldness drug, jumped $2⅞ to $119⅝.

In computer stocks, IBM was $¼ off at $129¼ as Honeywell, lost $¼ at $64½, and Control Data eased $⅛ at $18⅝.

Profit figures from Apple Computer, $⅜ down at $17¼, and Coleco Industries, $¼ off at $18½, contained no surprises.

But there was renewed demand for Digital Equipment, $1⅝ up at $101¼ and for Burroughs, $¾ firmer at $61½. Sperry added $¾ to $51⅞ as the chairman told the annual meeting that the company will pay "close attention" to possible merger plans.

Further heavy trading in Phillips Petroleum left the stock $⅛ better at $11¾. More than 6m Phillips shares traded, bringing suggestions that Mr Carl Icahn was selling out.

Stock in Crown Zellerbach was active again, easing $⅛ to $41½ as the market awaited the next move in Sir James Goldsmith's dispute with the rest of the board.

Other stocks responding to company news included American Broadcasting, unchanged at $113⅞, Union Pacific $⅛ off at $51¾, Georgia Pacific $¾ firmer at $24¾, Dataproducts $¼ down at $12⅝, and Bausch & Lomb $⅛ easier at $35¼.

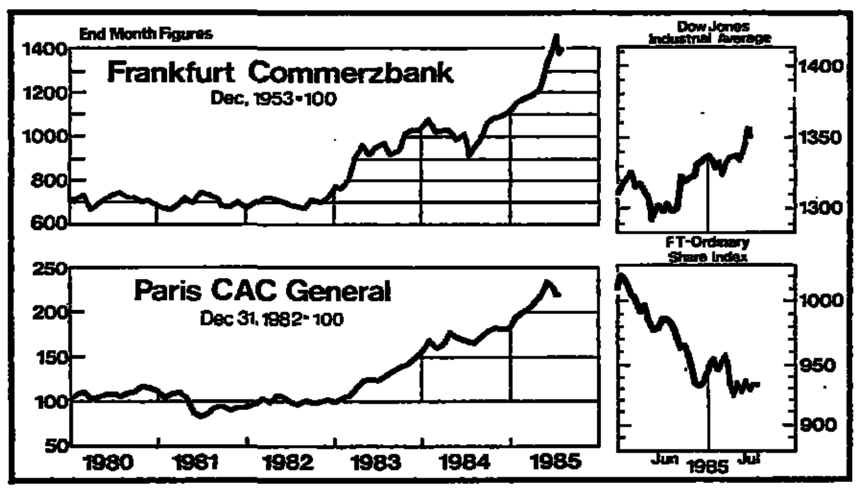
In the financial sector, BankAmerica eased $⅛ to $17½ in heavy trading as Wall Street continued its response to the news of a huge quarterly loss. Other banking issues looked irregular.

Marsh & McLennan, the insurance group, dipped $⅛ to $74⅛ after the quarterly results but were only lightly traded.

In the credit markets, federal funds remained relatively high, touching 8 per cent at one time. Money market rates rose strongly, with three month Treasury Bills 16 basis points up.

Bond prices suffered early falls while traders kept a close watch on Mr Paul Volcker's comments for any hint on the dollar, inflation prospects and the outlook for the economy.

KEY MARKET MONITORS



STOCK MARKET INDICES

NEW YORK	July 18	Previous	Year ago
DJ Industrials	1,356.41*	1,357.97	1,111.64
DJ Transport	699.91*	702.60	462.65
DJ Utilities	167.27*	168.34	125.87
S&P Composite	195.34*	195.65	151.40
LONDON			
FT Ord	932.8	933.6	764.7
FT-SE 100	1,248.6	1,247.3	1,009.0
FT-A All-share	602.04	600.9	469.72
FT-A 500	655.39	654.07	505.22
FT Gold mines	407.2	410.8	529.3
FT-A Long gilt	10.17	10.16	11.29
TOKYO			
Nikkei-Dow	12,852.54	12,846.49	10,208.20
Tokyo SE	1,048.60	1,043.10	776.20
AUSTRALIA			
All Ord.	922.3	912.8	678.8
Metals & Mins.	527.3	515.3	417.8
AUSTRIA			
Credit Aktien	97.73	96.27	53.52
BELGIUM			
Belgian SE	2,302.81	2,294.97	—
CANADA			
Toronto			
Metals & Minls	2,015.3*	1,981.8	1,714.0
Composite	2,810.0*	2,804.2	2,151.6
Montreal			
Portfolio	139.17*	138.73	104.36
DENMARK			
SE	n/a	211.38	186.68
FRANCE			
CAC Gen	219.3	219.6	165.3
Ind. Tendance	125.70	125.90	88.18
WEST GERMANY			
FAZ-Aktien	476.41	469.46	329.31
Commerzbank	1,399.6	1,377.0	945.8
HONG KONG			
Hang Seng	1,672.04	1,647.90	791.99
ITALY			
Banca Comm.	n/a	351.84	208.88
NETHERLANDS			
ANP-CBS Gen	218.1	215.1	152.8
ANP-CBS Ind	185.8	182.8	123.7
NORWAY			
Oslo SE	337.81	337.00	248.52
SINGAPORE			
Straits Times	736.26	727.55	879.14
SOUTH AFRICA	July 18	Prev	Yr ago
JSE Golds	–	985.1	653.2
JSE Industrials	–	1,036.5	860.4
SPAIN			
Madrid SE	109.89	110.39	90.48
SWEDEN			
J & P	1,325.30	1,307.74	1,477.33
SWITZERLAND			
Swiss Bank Ind	457.2	454.5	362.0
WORLD	July 17	Prev	Year ago
Capital Int'l	224.3	221.5	170.5

GOLD (per ounce)

	July 18	Prev
London	$320.25	$325.75
Zürich	$320.50	$326.50
Paris (fixing)	$322.56	$323.96
Luxembourg	$322.55	$320.30
New York (Aug)	$318.80	$324.00

** Latest available figure*

CURRENCIES

	U.S. DOLLAR		STERLING	
(London)	July 17	Previous	July 17	Previous
$	–	–	1.4045	1.4125
DM	2.872	2.8375	4.04	4.005
Yen	238.2	236.45	335.0	334.0
FFr	8.7125	8.61	12.23	12.165
SwFr	2.3675	2.3335	3.335	3.295
Guilder	3.2315	3.185	4.555	4.505
Lira	1,854.0	1,834.0	2,610.0	2,586.0
BFr	57.65	56.95	81.0	80.4
C$	1.348	1.347	1.9	1.91

INTEREST RATES

	July 18	Prev
Euro-currencies (3-month offered rate)		
£	11 13/16	11¾
SwFr	5⅛	5⅛
DM	5⅛	5 3/16
FFr	n/a	10 3/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	7 13/16	7¾
6-month U.S.$	8 1/16	7 15/16
U.S. Fed Funds	7 15/16*	10½
U.S. 3-month CDs	7.55*	7.45
U.S. 3-month T-bills	7.09*	6.92

U.S BONDS

Treasury		July 18*		Prev	
		Price	Yield	Price	Yield
8½	1987	99 11/32	8.72	99 21/32	8.616
10⅝	1992	101 5/32	10.135	101 29/32	9.985
11¼	1995	106	10.26	106 29/32	10.124
11¼	2015	107 9/32	10.485	108 14/32	10.33

Corporate	July 18*		Prev	
AT & T	Price	Yield	Price	Yield
10⅜ June 1990	101⅜	10.05	101⅜	10.05
8⅞ July 1990	81⅝	8.50	82.00	8.40
8¾ May 2000	85	10.80	85½	10.72
Xerox				
10⅜ March 1993	100	10.625	100⅛	10.70
Diamond Shamrock				
10⅜ May 1993	98	11.00	100	10.75
Federated Dept Stores				
10⅜ May 2013	93½	11.40	95	11.25
Abbot Lab				
11.80 Feb 2013	102½	11.50	103¾	11.35
Alcoa				
12¼ Dec 2012	93¾	12.05	101⅞	12.00

Source: Salomon Bros

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
Sept	77–03	78–00	76–24	78–01
U.S. Treasury Bills (IMM) $1m points of 100%				
Sept	92.92	93.15	92.84	93.09
Certificates of Deposit (IMM) $1m points of 100%				
Sept	92.23	92.53	92.15	92.42
LONDON				
Three-month Eurodollar $1m points of 100%				
Sept	91.93	92.26	91.88	92.18
20-year Notional Gilt £50,000 32nds of 100%				
Sept	112–24	113–13	112–21	113–04

COMMODITIES

(London)	July 18	Prev
Silver (spot fixing)	439.05p	440.55p
Copper (cash)	£1,051.00	£1,047.75
Coffee (Sept)	£1,576.50	£1,631.00
Oil (spot Arabian light)	$27.05	$26.95

AUSTRALIA

Enthusiastic mingling at peak levels

PROFIT-TAKERS mingled with enthusiastic buyers in Sydney yesterday as Wall Street's overnight record inspired a further dash to Australian peaks. The All-Ordinaries index secured a further 9.5 point gain to another all-time high of 922.3.

Turnover moved ahead to 98.1m shares against Wednesday's 95.9m but Laurel Bay, which picked up 1 cent to 23 cents, had a 20m block of its shares traded.

Miners initiated the advance but eased near the close. BHP retreated 2 cents to A$6.64 although CSR firmed 2 cents to A$3.08 after an early rise of 6 cents. Bougainville sparkled with a 10-cent rise to A$2.03.

The gold sector witnessed a 28-cent rally in Central Norseman to A$8.17 as Kidston sprinted 20 cents ahead to A$4.40.

On the takeover front, Myer Emporium added a further 7 cents to A$3.12, G. J. Coles dipped 3 cents to A$3.95 and Woolworth gained 3 cents to A$3.35. Castlemaine Tooheys held steady at A$7.30 while Wormald was unchanged at A$3.91.

Banks benefited from the general upturn with 8-cent gains for ANZ at A$5.24 and National at A$4.70. Westpac managed a 9-cent advance to A$4.80, a new high for the year.

LONDON

THE GOVERNMENT securities market in London yesterday suffered its first setback in three weeks. Although relatively small, the fall was linked directly with sombre U.S. economic data and the threat of a firmer pound. Declines of up to ⅜ were recorded by the close among longs although shorts proved more resilient.

Equities were more subdued and sentiment swayed with currency movements. The FT Ordinary index moved over a 4-point range but closed a net 0.8 lower at 932.8.

Among leading actives, stores group Dixons added a further 15p to 732p while Debenhams, in the middle of its takeover defence, shed another 8p to 314p. BP was actively sold 7p lower to 515p while Plessey in electronics shed some of the previous session's strength with a 4p fall to 142p.

Chief price changes, Page 37; Details, Page 36; Share information service; Pages 34-35.

SINGAPORE

RENEWED short-covering combined with further conflicting rumours of possible tax cuts to buoy sentiment in Singapore. The Straits Times industrial index scored a 8.71 rise to 736.26, its largest single day rise in two months.

Malayan Banking featured as the most active stock but finished unchanged at S$5.50. Johan Holdings continued active with a 4-cent rally to 80 cents, while Pan Electric was also actively sought but closed steady at S$2.10.

Elsewhere, Fraser & Neave picked up 14 cents to S$5.10 and G.I. Holdings settled 16 cents higher at S$2.04. Ten-cent gains were achieved by Genting at S$5.65, New Straits Times at S$6.90 and Hong Leong Industries at S$1.88.

SOUTH AFRICA

THE RETREAT by the bullion price dampened Johannesburg gold shares and generated a broadly mixed session.

Buffels suffered a R2 fall to R69 while Free State Geduld slipped 50 cents to R49.50. The weakness surfaced in other miners with Rustenburg Platinum 20 cents off at R17.60, although diamond leader De Beers moved against the trend with a 15-cent rise to R10.55.

Mining financials and industrials were mixed with Barlow Rand 5 cents down at R12.70.

EUROPE

Rate hope injects new life

EXPECTATIONS of lower interest rates held European bourses generally firm yesterday with Frankfurt pushed to the fore by strong domestic and foreign buying.

The Bundesbank's decision to lower securities repurchase agreements from 5.1 to 4.8 per cent added to the optimism that has been growing during the week that West German interest rates are set to decline.

The Commerzbank index calculated at midday added 22.60 to 1,399.60, although an easier tone developed during the afternoon leaving most stocks below their peaks for the day.

Banks were at the centre of interest rate hopes and without exception rose steady throughout the session before a minor late downturn. Dresdner led the way adding DM 13.80 to DM 281 while Deutsche firmed DM 7.50 to DM 568.50 and Commerzbank DM 7.90 to DM 221.90.

Chemical received most support with foreign traders active. Bayer led the way with a DM 5 rise to DM 220.50 while BASF firmed DM 4.60 to DM 220.50 and Hoechst DM 3.50 to DM 222.

Advances in the automotive sector were smaller than those recorded on Wednesday. BMW saw the largest increase and ended DM 5.50 higher at DM 402.50 followed by Daimler up DM 1.50 to DM 842, Volkswagen 30 pfg higher at DM 300.80 and Porsche DM 5 ahead at DM 1,300.

The engineering sector was also on the upturn with Mannesmann closing DM 5 higher at DM 195.50, Linde DM 21 up at DM 520 and GHH 50 pfg up at DM 161.

The tempo of trading increased on the bond market. The Bundesbank sold a relatively large DM 52.3m worth of paper, compared with DM 14.5m of sales in the previous session.

Amsterdam edged closer to a record level, carried by Wall Street's overnight record and the announcement that other major Dutch banks are to follow ABN's lead and effectively lower their base interest rates.

Banks were again under heavy buying pressure and the banking index added 7.0 to a record for the year of 351.50 while the improved outlook for the country's shipping industry helped the shipping index to a record of 231.2, up 3.1.

NMB moved to a peak for the year with a Fl 3.80 increase to 213.80, ABN added to Wednesday's increase to close Fl 10 higher at Fl 491.50 and Amro firmed 60 cents to Fl 87.40.

Insurers were also in demand as Amev firmed Fl 4 to Fl 272.50, Aegon 50 cents to Fl 98.20 and Nat-Ned 70 cents to Fl 76.30.

In the chemicals sector, Gist-Brocades added a further Fl 2.20 to a record for the year of Fl 214.20 following revived market talk that Akzo may stage a bid. The takeover reports were firmly denied by Gist-Brocades.

Advancing internationals included Akzo which rose Fl 1.90 to Fl 119.0 and Royal Dutch up 70 cents to Fl 197.30. However, KLM declined 40 cents to Fl 63.10.

In **Paris** the Bank of France's decision to cut the money market intervention rate failed to spur trading with most attention focused on concern about the dollar's course.

The construction sector came in for further support with Bouygues adding to its previous day's rise, closing FFr 7 higher at FFr 787 while Lafarge-Coppeé added FFr 5 to FFr 550.

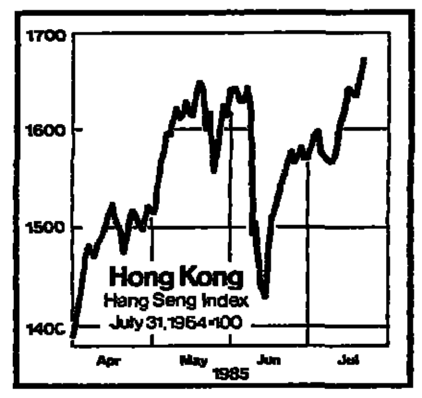
Zurich continued to improve amid heavy turnover in a broad range of stocks.

Banks and insurers remained the centre of most activity. UBS firmed a further SwFr 35 to SwFr 4,270, Credit Suisse SwFr 30 to SwFr 2,925, Swiss Volksbank SwFr 40 to SwFr 1,780 and Baer Holding SwFr 100 to SwFr 8,900.

Brussels added to Wednesday's is advance as Belgian politics continued to calm after the threatened resignation of the ruling coalition.

Momentum returned to trading in **Milan** with strong interest in the Agnelli family group of companies while prices fell across a broad front in **Madrid**.

Stockholm prices moved forward after several dull sessions reflecting renewed hopes of lower domestic interest rates.



HONG KONG

Properties and banks in spotlight

PROPERTY and banks shares were in the spotlight in Hong Kong yesterday as a technical rally spurred the Hang Seng index a further 24.14 points up to a four-year high of 1,672.04.

Interest rates continue to lend strength to the market. Local banks cut their prime rates by a further full percentage point to 6 per cent after trading, but many share prices reacted to early rumours of such a cut. Institutional buyers remained active, while the fresh funds unleashed by the last prime rates of one full percentage point on Monday are buoying the market.

Properties were the first to benefit from the rate cuts and fresh buying. Chueng Kong added 60 cents to HK$17.90, Hongkong & Kowloon Wharf firmed 15 cents to HK$6.55 as Sun Hung Kai finished 40 cents higher, at HK$13.40.

Hongkong Land, 15 cents up at HK$6.60, featured again with unconfirmed rumours that several overseas buyers were interested in a takeover. Jardine Matheson, which holds a controlling stake in Hongkong Land, rose 40 cents to HK$12.60.

Among leading banks to fall were Bank of East Asia, 70 cents cheaper at HK$23.10, Hang Sang 50 cents off at HK$46.25 and Hongkong & Shanghai 5 cents down at HK7.65.

TOKYO

Institutions continue on buying spree

ENCOURAGED by the continued advance on Wall Street, investors actively traded large-capital and construction stocks in Tokyo yesterday but the advances were trimmed back in the afternoon, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei-Dow market average of 225 select issues added 6.05 to 12,852.54, the third straight gain. Volume shrank slightly from 532m Wednesday to 520m. Gains outnumbered losses 418 to 394, with 138 issues unchanged.

The market indicator had surged by 247.72 in the preceding two sessions, recouping over half of the setback suffered in its recent six-day losing streak.

Large-capitals attracted institutional investors. Nippon Steel gained Y3 to Y169 on the day's heaviest trading of 25.05m shares. Four other large-capital stocks placed second through fifth. They were Kawasaki Kisen, up Y3 at Y203, Mitsubishi Heavy Industries, up Y5 at Y336, Ishikawajima-Harima Heavy Industries, down Y1 at Y183, and Kawasaki Steel, up Y4 at Y157. Tokyo Electric Power advanced Y30 to Y2,250.

Constructions remained popular. Wakachiku Construction, sixth busiest with 11.60m shares, jumped Y46 to Y539. Kumagai Gumi added Y27 to Y809, while Tokyo Construction finished at Y525, a substantial increase of Y48. But Taisei Corporation shed Y10 to Y310.

Among biotechnologies, Mochida Pharmaceutical registered a third consecutive daily limit rise of Y500, closing at Y11,090. But Yamanouchi Pharmaceutical and Dainippon Pharmaceutical plunged Y100 to Y2,920 and Y90 to Y3,330, respectively. Asahi Chemical also lost Y19 to Y851.

Reflecting Wednesday's rise of its American depositary receipt (ADR) on Wall Street and small-lot buying by non-residents, Hitachi jumped Y33 to Y737. Sony was Y20 higher at Y3,920.

However, biotechnologies and blue chips began to lose steam and investors started moving into other sectors. Department stores were sought after with Tokyu Department Store rising Y16 to Y540 and Mitsukoshi jumping Y23 to Y635. Nippon Zeon closed at Y519, up Y18.

Bond trading was active early in an anticipation of an easing in U.S. monetary policy, but eased near the close as investors grew concerned about the U.S. second-quarter GNP flash report.

The yield on the barometer 6.8 per cent government bonds due in December 1994 declined from 6.320 per cent Wednesday to 6.300 per cent, slipping below the three-month bill rate of 6.31 per cent.

CANADA

EARLY LOSSES were overturned in Toronto although resource issues staged a retreat.

Gulf Canada was actively traded C$⅛ lower to C$17⅞ after Olympia and York Development withdrew its bid for Chevron's controlling stake in Gulf Canada. Lac Minerals in a weaker gold sector lost C$¼ to C$31¼.

Bank and industrial stocks progressed in Montreal against weaker utilities.